

**CITY OF PRYOR CREEK, OKLAHOMA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**WINGARD, RAGSDALE & LANGLEY, CPAS, PLLC.  
CERTIFIED PUBLIC ACCOUNTANTS  
PRYOR, OKLAHOMA**

**CITY OF PRYOR CREEK  
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JUNE 30, 2013**

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# **WINGARD, RAGSDALE & LANGLEY**

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## **INDEPENDENT AUDITOR'S REPORT**

December 20, 2013

To the Honorable Mayor and City Councilors  
City of Pryor Creek  
Mayes County, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pryor, State Oklahoma as of and for the year ended June 30, 2013, which collectively comprise the City of Pryor's basic financial statements as listed in the table of contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **OPINIONS**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pryor, State of Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 21 and 67 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pryor, State of Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2013, on our consideration of the City of Pryor, State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Pryor, State of Oklahoma's internal control over financial reporting and compliance.



WINGARD, RAGSDALE & LANGLEY  
CERTIFIED PUBLIC ACCOUNTANTS, PLLC

December 20, 2013

**CITY OF PRYOR CREEK, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2013**

The discussion and analysis of the City of Pryor Creek's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the accompanying basic financial statements.

This discussion is divided into two parts. The first pertains to the entire City of Pryor Creek overall with very little detail to the Municipal Utility Department, a department of the City of Pryor Creek. The second part pertains to the Municipal Utility Department, which was created by the Charter for the City of Pryor Creek and operates under the Utility Board of five members as explained in the notes to the financial statements.

**PART I**

**WHO WE ARE**

As of June 30, 2013 the mayor, council members, clerk and treasurer, all of whom are elected, consisted of the following:

Mayor	Jimmy Tramel
Council Members	Carolyn Wise Travis Noland Drew Stott Randy Chitwood Roger Willcutt Greg Rosamond Ronnie Sharp Leonard Barnes
Clerk	Eva Smith
Treasurer	Lois Thompson

## FINANCIAL HIGHLIGHTS

- The total assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2013 by \$92,621,579 as reflected in Statement 1, an increase of \$382,388 from the prior year. Invested in capital assets decreased \$379,377 due to depreciation of \$2,683,912. However, restricted and unrestricted net position both increased.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Net position	<u>\$92,621,579</u>	<u>\$92,039,191</u>

- The City's Governmental Fund balance as reflected in the "Statement of Revenues, Expenditures, and Changes in Fund Balances" decreased \$1,219,684. This is misleading, as the PPWA Bond Proceeds Fund showed a decrease of \$3,243,603. Eliminating this, all other funds increased \$2,023,919, including an increase of \$481,326 in the General Fund.
- Sales tax for governmental funds increased \$680,895, an 11.5% increase.
- Use tax increased from \$294,360 to \$544,681.
- Construction is underway on the new City Hall and is expected to be completed in November, 2013. This was expended from the PPWA Bond Proceeds Funds as well as \$786,801 for street improvements and \$163,155 on the Rec Center Building.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the City's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<b><u>Government-wide Statements</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Proprietary Funds</u></b>
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, fire, library, streets, etc.	Activities the City operates similar to private businesses such as utilities and the golf course
Required financial statements	-Statement of net position -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net position -Statement of revenues, expenses, and changes in net position -Statement of cash funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The *statement of net position* presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety activities, streets, cultural, library, parks and recreation activities and general government activities. The business-type activities of the City include utilities and a golf course.



A component unit is included in the basic financial statements and consists of a legally separate entity for which the City is financially accountable and that has the same governing board as the City. This blended component unit is the Pryor Public Works Authority. The County Wide Fire Department Fund is also blended into the financial statements.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Street and Drainage and the Recreation Center Construction Fund, which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

The City adopts an annual appropriated budget for its General Fund and some of its special revenue funds and capital project funds. A budgetary comparison statement has been provided for the General Fund and the Street and Drainage Fund in the basic financial statements.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.



**Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide separate information for the utility and golf course operations. Combining schedules for the proprietary funds are presented in the supplementary information. The proprietary funds financial statements can be found at Statements 5, 6, and 7 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 37 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$92,621,579 at the close of the current fiscal year. \$5,222,780 of this amount is unrestricted, reflecting a healthy financial position. Additionally the City has \$14,317,935 reserved for various purposes, including \$1,942,698 for operating expenditures. All of this reflects a healthy financial position.

\$73,080,864 of net position is invested in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities.

Included in current and other assets for Governmental Activities is \$10,601,328 of cash and investments. Excluding PWA bond proceeds, this is an increase of \$1,838,199 over the prior year.

At the end of the fiscal year ended June 30, 2013, The City reported positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**TABLE 1**  
**NET POSITION**  
**(In Thousands)**  
**JUNE 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$ 11,879	\$ 12,471	\$ 16,505	\$ 15,596	\$ 28,384	\$ 28,067
Capital assets	<u>46,705</u>	<u>45,282</u>	<u>27,454</u>	<u>28,363</u>	<u>74,159</u>	<u>73,645</u>
Total assets	<u>58,584</u>	<u>57,753</u>	<u>43,959</u>	<u>43,959</u>	<u>102,543</u>	<u>101,712</u>
Long-term debt outstanding	6,545	7,000	914	940	7,459	7,940
Other liabilities	<u>1,286</u>	<u>498</u>	<u>1,177</u>	<u>1,235</u>	<u>2,463</u>	<u>1,733</u>
Total liabilities	<u>7,831</u>	<u>7,498</u>	<u>2,091</u>	<u>2,175</u>	<u>9,922</u>	<u>9,673</u>
Net position	<u>\$ 50,753</u>	<u>\$ 50,255</u>	<u>\$ 41,868</u>	<u>\$ 41,784</u>	<u>\$ 92,621</u>	<u>\$ 92,039</u>

UNAUDITED

**TABLE 2**  
**Changes in Net Position**  
**(In Thousands)**  
**June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 452	\$ 408	\$13,183	\$13,391	\$13,635	\$13,799
Operating grants & contributions	87	205	--	--	87	205
Capital grants & contributions	274	30	--	--	274	30
Contributed assets	--	173	--	--	--	173
General revenues						
Sales tax	6,123	5,492	1,491	1,353	7,614	6,845
Other taxes	975	728	--	--	975	728
Other general revenues	<u>109</u>	<u>131</u>	<u>36</u>	<u>153</u>	<u>145</u>	<u>284</u>
Total revenues	<u>8,020</u>	<u>7,167</u>	<u>14,710</u>	<u>14,897</u>	<u>22,730</u>	<u>22,064</u>
<b>Program expenses</b>						
General government	824	997	--	--	824	997
Public safety	3,562	3,648	--	--	3,562	3,648
Street	2,673	1,876	--	--	2,673	1,876
Culture, recreation & library	874	907	--	--	874	907
Utilities	--	--	12,704	12,374	12,704	12,374
Golf	--	--	377	385	377	385
Recreation Center	--	--	991	1,011	991	1,011
Interest	<u>93</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>93</u>	<u>--</u>
Total expenses	<u>8,026</u>	<u>7,428</u>	<u>14,072</u>	<u>13,770</u>	<u>22,098</u>	<u>21,198</u>
Excess (deficiency) before special items and transfers	( 6)	( 261)	638	1,127	632	866
Transfers	553	( 641)	( 553)	641	--	--
Prior year adjustments	( 257)	--	--	--	( 257)	--
Capital contribution	<u>207</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>207</u>	<u>--</u>
Increase (decrease) in net position	<u>\$ 497</u>	<u>\$ ( 902)</u>	<u>\$ 85</u>	<u>\$ 1,768</u>	<u>\$ 582</u>	<u>\$ 866</u>

UNAUDITED

**Governmental Activities.** With the exception of two minor funds and the PPWA Bond Proceeds Fund (which will ultimately decline to zero) all governmental funds experienced an increase in fund balance for the year.

**Business-type Activities.** Business type activities are the Municipal Utility Department, Golf Course and the Recreation Center. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position reflect these funds individually in Statements 5 and 6 of the financial statements. All proprietary funds had an increase in net position.

## **FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS**

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

**Governmental Funds** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**General Fund** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$2,073,390, constituting 100% of the fund balance, which was \$481,326 more than the prior year's General Fund balance. This fund is considered very healthy.

**Street and Drainage** Street and Drainage increased its fund balance by \$550,559 for the year. This fund is also benefiting from funds being spent by the PPWA Bonds Proceeds Fund for street improvements

**Municipal Utility Department** See Part II of this discussion.

## **GENERAL FUND BUDGETARY**

The following Table 3 presents a summary analysis of the General Fund budget and actuals for the current fiscal year.

**TABLE 3**  
**CITY OF PRYOR CREEK**  
**SUMMARY ANALYSIS OF GENERAL FUND BUDGET**  
**FISCAL YEAR ENDING JUNE 30, 2013**

<u>Category</u>	<u>Budgeted Amounts</u>		<u>Actual (Budget Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
<b>Revenue</b>				
Sales tax	\$2,641,578	\$2,641,578	\$3,184,400	\$ 542,822
All other taxes	482,465	482,465	748,690	266,225
All other revenues	<u>482,868</u>	<u>482,868</u>	<u>430,766</u>	<u>( 52,102)</u>
<b>Total revenues</b>	<u>3,606,911</u>	<u>3,606,911</u>	<u>4,363,856</u>	<u>756,945</u>
<b>Expenditures</b>				
General government (1)	1,025,822	1,024,822	707,656	317,166
Public safety (2)	3,234,912	3,235,912	3,058,041	177,871
Maintenance garage	55,575	55,575	50,096	5,479
Cultural and recreation services (3)	591,607	591,607	553,356	38,251
Community service	75,554	75,554	22,837	52,717
Cemetery	<u>193,412</u>	<u>193,412</u>	<u>159,819</u>	<u>33,593</u>
<b>Total expenditures</b>	<u>5,176,882</u>	<u>5,176,882</u>	<u>4,551,805</u>	<u>625,077</u>
<b>Total excess (deficiency) of revenues over expenditures</b>	(1,569,971)	(1,569,971)	( 187,949)	1,382,022
<b>Other financing sources (uses)</b>				
Transfers in	550,000	550,000	550,000	--
<b>Beginning fund balance</b>	<u>1,019,971</u>	<u>1,019,971</u>	<u>1,019,971</u>	<u>--</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,382,022</u>	<u>\$ 1,382,022</u>

(1) Includes General Government, City Clerk, City Treasurer, City Attorney and Planning and Zoning .

(2) Includes Municipal Court, Police, Fire, Dog Pound, and Civil Emergency Management

(3) Includes Parks and Pool and Library.

UNAUDITED

The basis of accounting for budgetary purposes for the General Fund is the modified accrual, i. e., revenues are recognized when received and expenses are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended. An exception to this is that 100% of the funds budgeted by the Municipal Utility Department to be transferred to the City's General Fund in accordance with the City Charter is budgeted.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the City attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

The reason for the decrease in fund balance in the current year has generally been explained earlier in this discussion under the caption "General Fund".

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets as of June 30, 2013 amounted to \$72,873,364 (net of accumulated depreciation) This investment, detailed in Table 4, in a broad range of capital assets includes land, structures and improvements, equipment, and construction in progress.

I invite you to review Note 3.D Capital Assets to the Financial Statements, which is included herein and details the capital asset activity. Also, see Part II for further discussion concerning the Municipal Utility Department.

**TABLE 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation, In Thousands)**  
**June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ 2,472	\$ 2,277	\$ 350	\$ 350	\$ 2,822	\$ 2,627
Buildings & improvements	1,391	1,452	6,138	6,167	7,529	7,619
Equipment	2,410	2,430	883	989	3,293	3,419
Infrastructure	38,006	38,996	--	--	38,006	38,996
Utility property	--	--	21,951	20,857	21,951	20,857
Construction in progress	<u>2,426</u>	<u>127</u>	<u>132</u>	<u>--</u>	<u>2,558</u>	<u>127</u>
	<u>\$46,705</u>	<u>\$45,282</u>	<u>\$29,454</u>	<u>\$28,363</u>	<u>\$76,159</u>	<u>\$73,645</u>

### **Long-term Debt**

Long-term debt has already been discussed in this report.

Additional information on long-term debt is included in Note 3.G to the financial statements.

### **ECONOMIC FACTORS AND NEW YEAR'S BUDGET**

The City's major governmental revenue, sales tax, increased from the prior year and is expected to be more in the future. It is anticipated that use tax will also increase as construction rebounds.

The next years budget does not eliminate any services or employees. It is expected that the fund balance of the General Fund will not increase or decrease substantially in the next fiscal year, unless sales and use tax receipts substantially change.

The long-term economic forecast for the City is quite good. Sales tax is increasing and use tax is expected to increase. This, combined with a present healthy financial position and continued management of expenses, are reasons for an optimistic economic forecast.

### **CONTACTING THE CITY'S FINANCE DEPARTMENT**

This managements' discussion and analysis is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please contact the City of Pryor Creek at (918) 825-0888.



## **PART II**

### ***WHO WE ARE***

The Municipal Utility Department, City of Pryor Creek Oklahoma was created by the Pryor Creek City Charter in 1951. The current five-person board is listed below.

Chairman:	Mr. Jack Ledbetter
Vice-Chairman:	Mr. Mark Roberts
Secretary:	Mr. Tommy Thompson
Member:	Dr. Robert Lindsey
Member:	Mr. Henry Neftzger

The Utility Board has the care, custody, and management of the existing electric system, water system, gas distribution system, street lighting system, and sewage disposal system and may enlarge and extend them under the guidelines of the City Charter. The Board has under its control, the complete operation of these utilities and such other as the people of the City of Pryor Creek may acquire. All of these utilities shall be collectively known as the Municipal Utility Department.

The Utility Board shall employ all persons necessary in the operation of the utilities and fix their salaries, condition of servitude, and terms of office, and shall adopt such rules and regulations, as it may deem necessary for the proper conduct of business.

### ***USING THE ANNUAL REPORT***

This annual report consists of a series of financial statements. The Statement of Net Position (page 8) and Statement of Revenues, Expenses and Changes in Net Position (page 9) document the income and expenses (on a full accrual basis) of the Utility Board for the current fiscal year, and how they affect the Net Position of the Board. Net Position are ALL assets of the Board less ALL liabilities.

The Statement of Cash Flows (page 10) documents the sources and uses of cash, and shows whether cash increased or decreased during the current fiscal year. Notes to the financial statements (page 12) provide additional detail that further explain information found in the various statements.

### ***FINANCIAL SUMMARY***

The following presents the management overview and analysis of the Municipal Utility Board's financial condition and performance for the fiscal years ended June 30, 2012 and June 30, 2013, and proposed projects for fiscal year ending June 30, 2013.

For the years ended, Net Position changed as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Beginning Net Position	\$34,386,639	\$33,704,094
Increase in Net Position	<u>99,477</u>	<u>682,545</u>
Ending Net Position	<u>\$34,486,116</u>	<u>\$34,386,639</u>

Included in net position are amounts reserved for specific long term purposes. The following reserve accounts have been funded by excess revenues over several fiscal years.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Reserve for Extension, Capital Improvements	\$ 1,139,304	\$ 1,165,332
Reserve for Emergency and Natural Disasters	<u>1,200,000</u>	<u>1,200,000</u>
	\$ 2,339,304	\$ 2,365,332
Reserve for Capital Improvements from Sales Tax. This reserve is funded by \$0.005 sales tax and interest revenue. This account is used to fund the Wastewater Treatment Plant Depreciation Account; excess funds will be used for Utility Extensions	<u>6,317,399</u>	<u>7,227,177</u>
TOTAL	<u>\$ 8,656,703</u>	<u>\$ 9,592,509</u>

The primary source of revenues generated by the board are sales of utilities to its customers. Revenues are as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating revenues	\$12,478,926	\$12,605,281
Sales tax revenue	994,563	900,874
Interest income	<u>59,698</u>	<u>145,169</u>
Total Revenues	<u>\$13,533,187</u>	<u>\$13,651,324</u>

Utilities are purchased and then resold to Municipal Utility Board Customers. The annual cost of purchased utilities is \$8,382,199 and \$8,394,679 for the fiscal years ending June 30, 2012 and June 30, 2013 respectively.

Expenses are as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating expenses	\$12,704,285	\$12,341,543
Loss on asset disposal	<u>27,213</u>	<u>32,236</u>
Total Expenses	<u>\$12,731,498</u>	<u>\$12,373,779</u>

Percentages by expense category are as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Purchased utilities	66%	68%
Payroll and related expenses	23%	23%
Operation, Maintenance and other	<u>11%</u>	<u>9%</u>
	<u>100%</u>	<u>100%</u>

The resulting net income before contributions and transfer is \$1,277,545 and \$801,689 for the fiscal years ending June 30, 2012 and 2013 respectively. The Board transfers to the City of Pryor Creek General fund 5.5% of gross revenue with a cap of \$550,000. The amount for the year ended June 30, 2012 is \$595,000, which includes a land transfer valued at \$45,000. For the year ended June 30, 2013, the amount was \$702,212 which included a generator bought and given to the City for a new City Hall. The projected amount to be transferred for the fiscal year ending June 30, 2014 is \$550,000.

## ***DEPARTMENT ACCOMPLISHMENTS***

### **ADMINISTRATIVE DEPARTMENT**

#### ***Fiscal Year Ending June 30, 2013***

- Began cross training the administrative office staff with the warehouse office staff.
- Transferred Jennifer Adams, Utility Clerk III Merit to Assistant Purchasing Agent.
- Hired Probationary Clerk III, Nelda Budder.
- Improved MUB image in our community with new logo and truck signs, participated in Pryor High School Readiness Project, and participated in Salvation Army Bell Ring during the month of December.

- Explored/cost analysis of online bill payment/credit card payment and decided not to pursue payment option at this time
- Purchased a full facility backup generator for new City Hall

*Proposed Projects for Fiscal Year Ending June 30, 2014*

- Hire Assistant General Manager to oversee the operations of utility systems (gas, water, electric and wastewater)
- Hire additional utility clerk for the drive-thru window
- MESO 12 month supervisor training in Oklahoma City for Teri Hill
- MESO customer service and communication in-house training
- Continue cross training administrative office staff with the warehouse staff
- Advanced Incode software training for one-half of office staff
- Replace/upgrade warehouse inventory software.
- Replace and upgrade administrative office computers, server and cash collection systems for new joint facility City Hall building
- Replace and upgrade office furnishings for new joint facility for City of Pryor and Municipal Utility Board
- Explore/cost analysis of copy/scanner replacement
- Explore/cost analysis of meter reading devices and software
- Review and update Employee Policy Handbook
- Explore/cost analysis of electronic scanning of Municipal Utility Board documents beginning 1951

## **GAS DEPARTMENT**

### ***Fiscal Year Ending June 30, 2013***

- **New construction and replacement projects in the Gas Department funded out of reserve funds in the amount of \$156,880.34**
- **Replaced four inch gas line on north side of Grove Crest to south side of Ridgewood on South Elliott Street**
- **Replaced two inch gas line on south side of Ridgewood**
- **Relocated and replace four inch gas main at North Elliott and NE 5th street intersection**
- **Installed 1,503 feet of new two inch gas line in Helton Addition at NE Street and Helton Lane**

### ***Proposed Projects for Fiscal Year Ending June 30, 2014***

- **Complete design and replace 3,000 feet of 6 inch gas line from Pryor Creek to Lakeview Drive**
- **Replace two inch gas lines from Seventh Street to Ninth Street State, Jackson and Wood Streets**
- **Replace four inch steel with four inch plastic gas line on Elliott and Hogan Street between NE Fourth Street and NE Fifth Street**
- **Replace two inch steel with two inch plastic gas line from North Elliott Street to North Rowe Street on NE Fifth 5th Street**
- **Replace two inch steel with two inch plastic gas line in 1700 block of Southridge Drive, Bedford Drive and Surrey Drive and also the Lanternwick Loop**

## **WATER DEPARTMENT**

### ***Fiscal Year Ending June 30, 2013***

- **New Construction and replacement projects in the Water Department funded out of operating funds in the amount of \$82,261.42**
- **Installed new two inch water line from North Bailey Street east to Kentucky Street for the hospital during an emergency**

- Repaired and repainted SE Ninth Street water tower and a section of North Elliott Street water
- Replaced truck number 5 and truck number 7
- Installed new two inch water line on Strawhun Road at SW First Street
- Installed new six inch water line to Pryor Tiger Football Field
- Installed new water line to new City Hall

*Proposed Projects for Fiscal Year Ending June 30, 2014*

- Replace six inch water line NE First Street to NE Fourth Street along North Hogan Street
- Replace six inch water line on South Oak Street
- Replace eight inch water line on North Whitaker from NW First Street to NW Fifth Street
- Replace eight inch water line on NW Third Street from Taylor Street to Mayes Street
- Replace sixteen inch water line at Pryor Creek crossing North of Highway 69.
- Replace ten inch line for twelve inch line on Park Street from South Elliott Street to South Ora Street
- Replace SCADA on water control system

**WASTEWATER COLLECTION SYSTEM**

*Fiscal Year Ending June 30, 2013*

- New construction and replacement projects in the Wastewater Collection Department funded out of operating funds in the amount of \$22,051.02
- New Westside sewer extension from North Maple Street to North Edith Street

*Proposed Projects for Fiscal Year Ending June 30, 2014*

- Replace six inch sewer main 314 and 316 South Elliott Street
- Rebuild the wastewater collection system lift station located on Southridge Drive
- Replace sewer main 100 block on South Bailey Street

## WASTEWATER TREATMENT PLANT

### *Fiscal Year Ending June 30, 2013*

- The Wastewater Treatment Plant major repairs and replacement of equipment are funded from the \$0.005 Sales Tax Reserve Capital Improvement Account.
- Replaced the bar screen at the headwork's location at the treatment plant
- Replaced emergency backup generator at the main plant site

### *Proposed Projects for Fiscal Year Ending June 30, 2014*

- Paint the hoist at the lift station on Southeast 9th Street
- Replacement of the automatic security gate at the treatment plant
- Renovation of SE Ninth 9th Street lift station
- Update PLC program at the plant and SE Ninth Street lift station and complete WWTP automation and operations software upgrade
- Replace force main from SE Ninth Street lift station to plant

## ELECTRIC DEPARTMENT

### *Fiscal Year Ending June 30, 2013*

- New construction and replacement projects in the Electric Department funded out of operating funds in the amount of \$174,721.55
- Completed engineering planning study to determine the size and location of a new substation and evaluation of primary feeder conductor size.
- Replaced underground primary in East Manor I, II and III
- Built new transformer station and underground secondary on Helton Lane
- Upgraded substation 2
- Upgraded underground primary at Elk's Lodge on West Highway 20



- Upgrade underground primary on Cherry Point Lane
- Installed Wi-Fi Fiber optic for City of Pryor Google Grant
- Built new three phase service at Pryor Tiger Football Field

*Proposed projects for Fiscal Year Ending 30 June 2014*

- **Engineering feasibility study for new substation**
- **Replace primary underground on South Vann Street and Marietta from 17th Street to Woodhaven**
- **Build new primary feed on South Elliott Street from Southeast 29th Street to Southeast 49th Street**
- **Replace underground secondary electric between Ridgewood and Grove Crest**
- **Replace primary and secondary electric on Brookfield Terrace and several cul-de-sacs**
- **Reconductor upgrade of NW feeder out of Pryor #1 substation**
- **Reconductor upgrade on north feeder out of substation #2**
- **Replace three (3) phase underground primary on Southside of SE 17th Street and Westside of Oklahoma Street to 1600 Southbrook (Bruce Taylor's residence)**

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

Statement 1

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 5,394,943	\$ 2,217,695	\$ 7,612,638
Investments	62,250	--	62,250
Taxes receivable	1,098,266	88,783	1,187,049
Accounts receivable (net)	--	1,573,406	1,573,406
Accounts receivable from intra-government	<u>2,458</u>	<u>522</u>	<u>2,980</u>
Total current assets	<u>6,557,917</u>	<u>3,880,406</u>	<u>10,438,323</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	5,144,135	9,161,287	14,305,422
Investments	--	356,390	356,390
Due from other funds	--	1,611	1,611
Taxes receivable	177,565	177,566	355,131
Capital assets (net)	46,705,202	29,454,221	76,159,423
Inventory	<u>--</u>	<u>927,084</u>	<u>927,084</u>
Total noncurrent assets	<u>52,026,902</u>	<u>40,078,159</u>	<u>92,105,061</u>
Total assets	<u>58,584,819</u>	<u>43,958,565</u>	<u>102,543,384</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	111,325	921,199	1,032,524
Accrued expenses	68,019	64,584	132,603
Notes payable, current portion	400,000	9,011	409,011
Payable to intra-government	2,133	2,417	4,550
Refundable court deposits	10,093	--	10,093
Accrued compensated absences	<u>220,724</u>	<u>188,433</u>	<u>409,157</u>
Total current liabilities	<u>812,294</u>	<u>1,185,644</u>	<u>1,997,938</u>
Payable from restricted assets			
Accounts payable	812,810	--	812,810
Accrued expenses	<u>61,407</u>	<u>--</u>	<u>61,407</u>
Total	<u>874,217</u>	<u>--</u>	<u>874,217</u>
Noncurrent liabilities:			
Customer deposits payable	--	904,650	904,650
Notes and bonds payable, long-term portion	<u>6,145,000</u>	<u>--</u>	<u>6,145,000</u>
Total noncurrent liabilities	<u>6,145,000</u>	<u>904,650</u>	<u>7,049,650</u>
Total liabilities	<u>7,831,511</u>	<u>2,090,294</u>	<u>9,921,805</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	43,635,654	29,445,210	73,080,864
Restricted for:			
Capital projects and emergencies	2,746,503	8,656,703	11,403,206
Debt service	972,031	--	972,031
Other	1,450,808	491,890	1,942,698
Unrestricted	<u>1,948,312</u>	<u>3,274,468</u>	<u>5,222,780</u>
Total net position	<u>\$50,753,308</u>	<u>\$41,868,271</u>	<u>\$92,621,579</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Statement 2

		<b>Program Revenues</b>			
	<b><u>Expenses</u></b>	<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	<b><u>Net (Expense) Revenue</u></b>
<b>Governmental activities</b>					
General government					
Community Development	\$ 24,469	\$ --	\$ --	\$ --	\$ ( 24,469)
Planning and Zoning	7,029	--	--	--	( 7,029)
Mayor and Council	203,985	--	--	--	( 203,985)
City Clerk	164,559	--	--	--	( 164,559)
City Treasurer	20,106	--	--	--	( 20,106)
Maintenance Garage	51,023	--	--	--	( 51,023)
General Government	<u>352,479</u>	<u>8,950</u>	<u>5,000</u>	<u>223,977</u>	<u>( 114,552)</u>
Total general government	<u>823,650</u>	<u>8,950</u>	<u>5,000</u>	<u>223,977</u>	<u>( 585,723)</u>
Public safety and judiciary					
City Attorney	49,440	--	--	--	( 49,440)
Police	2,244,206	347,332	39,952	50,000	(1,806,922)
Fire	1,117,247	8,236	4,834	--	(1,104,177)
Civil Emergency Management	27,409	--	2,500	--	( 24,909)
Municipal Court	<u>124,244</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>( 124,244)</u>
Total public safety and judiciary	<u>3,562,546</u>	<u>355,568</u>	<u>47,286</u>	<u>50,000</u>	<u>(3,109,692)</u>
Transportation					
Street	<u>2,672,949</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,672,949)</u>
Cultural, parks and recreation					
Library	367,866	5,397	26,788	110	( 335,571)
Cemetery	177,270	64,590	--	--	( 112,680)
Recreation	290,353	17,281	7,710	--	( 265,362)
Tourism	<u>38,192</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>( 38,192)</u>
Total cultural, parks and Recreation	<u>873,681</u>	<u>87,268</u>	<u>34,498</u>	<u>110</u>	<u>( 751,805)</u>
<b>Total governmental activities</b>	<u>7,932,826</u>	<u>451,786</u>	<u>86,784</u>	<u>274,087</u>	<u>(7,120,169)</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

		<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Business-type activities:					
Utilities	12,704,285	12,478,926	--	--	( 225,359)
Golf	376,906	386,510	--	--	9,604
Recreation Center	<u>990,978</u>	<u>318,349</u>	<u>--</u>	<u>--</u>	<u>( 672,629)</u>
Total business-type activities	<u>14,072,169</u>	<u>13,183,785</u>	<u>--</u>	<u>--</u>	<u>( 888,384)</u>
Total	\$22,004,995	\$13,635,571	\$ 86,784	\$ 274,087	\$( 8,008,553)

**CHANGES IN NET POSITION**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) /revenue	<u>\$ ( 7,120,169)</u>	<u>\$( 888,384)</u>	<u>\$( 8,008,553)</u>
General Revenues			
Taxes:			
Sales tax	6,122,936	1,491,844	7,614,780
Use tax	544,681	--	544,681
Alcohol beverage tax	68,747	--	68,747
E-911 tax	39,269	--	39,269
Hotel/motel tax	66,516	--	66,516
Gasoline tax	17,296	--	17,296
Motor vehicle tax	67,553	--	67,553
Franchise taxes	70,784	--	70,784
Cigarette tax	93,688	--	93,688
Utility Gr. Rev. tax	6,455	--	6,455
Investment income	24,885	64,134	89,019
Miscellaneous	33,416	--	33,416
Sale of assets	50,910	( 27,213)	23,697
Transfers	553,563	( 553,563)	--
Interest expense	( 92,394)	( 2,236)	( 94,630)
Capital assets contributed	<u>207,500</u>	<u>--</u>	<u>207,500</u>
Total general revenues and transfers	<u>7,875,805</u>	<u>972,966</u>	<u>8,848,771</u>
Change in net position	755,636	84,582	840,218
Net position - beginning	50,255,502	41,783,689	92,039,191
Expense prior year work in progress	( 88,236)	--	( 88,236)
Write off loan costs	<u>( 169,594)</u>	<u>--</u>	<u>( 169,594)</u>
Net position - ending	<u>\$ 50,753,308</u>	<u>\$ 41,868,271</u>	<u>\$ 92,621,579</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b><u>General Fund</u></b>	<b><u>Street &amp; Drainage Fund</u></b>	<b><u>PPWA Bond Proceeds</u></b>	<b><u>Other Governmental Funds</u></b>	<b><u>Total Governmental Funds</u></b>
<b>ASSETS</b>					
Cash	\$1,475,934	\$1,434,112	\$4,288,262	\$3,340,770	\$10,539,078
Investments	59,250	--	--	3,000	62,250
Taxes receivable	723,087	245,974	--	306,811	1,275,872
Due from other funds	--	--	--	2,417	2,417
Total assets	<u>\$2,258,271</u>	<u>\$1,680,086</u>	<u>\$4,288,262</u>	<u>\$3,652,998</u>	<u>\$11,879,617</u>
<b>LIABILITIES</b>					
Accounts payable	62,990	21,369	812,810	26,966	924,135
Accrued expenses	60,779	7,240	--	61,407	129,426
Due to other funds	2,133	--	--	--	2,133
Accrued compensated absences	48,886	25,178	--	--	74,064
Refundable court bonds	<u>10,093</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>10,093</u>
Total liabilities	<u>184,881</u>	<u>53,787</u>	<u>812,810</u>	<u>88,373</u>	<u>1,139,851</u>
<b>FUND BALANCES</b>					
Restricted	--	1,623,663	3,475,452	2,620,102	7,719,217
Committed	17,169	2,636	--	20,289	40,094
Assigned	--	--	--	885,483	885,483
Unassigned	<u>2,056,221</u>	<u>--</u>	<u>--</u>	<u>38,751</u>	<u>2,094,972</u>
Total fund balance	<u>2,073,390</u>	<u>1,626,299</u>	<u>3,475,452</u>	<u>3,564,625</u>	<u>10,739,766</u>
Total liabilities and fund balances	<u>\$2,258,271</u>	<u>\$1,680,086</u>	<u>\$4,288,262</u>	<u>\$3,652,998</u>	<u>\$11,879,617</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	Total Governmental <u>Funds</u>
Fund balance of governmental funds	<u>\$ 10,739,766</u>
Amounts reported for governmental activities in the Statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$25,546,774	46,705,202
Portion of accrued compensated absences does not require current financial resources. Therefore, \$146,660 of total of \$220,724 of accrued compensated absences is not reported as a liability in government funds balance sheet	<u>( 146,660)</u>
	46,558,542
Long-term debt	<u>( 6,545,000)</u>
Net position of governmental activities	<u>\$ 50,753,308</u>

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal and long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Street &amp; Drainage Fund</u>	<u>PPWA Bond Proceeds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Sales tax	\$ 3,232,330	\$ 1,292,932	\$ --	\$ 1,597,674	\$ 6,122,936
Other taxes	713,571	84,849	--	105,786	904,206
Fines and forfeits	317,570	--	--	--	317,570
Licenses and permits	8,950	--	--	--	8,950
Franchise taxes	41,493	--	--	29,291	70,784
Fees and services	71,653	--	--	53,738	125,391
Interest	6,526	5,573	603	12,183	24,885
Miscellaneous	26,066	2,500	--	68,134	96,700
Grants and contributions	46,653	--	--	314,218	360,871
Total revenues	<u>4,464,812</u>	<u>1,385,854</u>	<u>603</u>	<u>2,181,024</u>	<u>8,032,293</u>
<b>EXPENDITURES</b>					
Current					
General government:					
Community Development	23,245	--	--	--	23,245
Planning and Zoning	7,029	--	--	--	7,029
Mayor and Council	202,230	--	--	--	202,230
City Clerk	154,669	--	--	--	154,669
City Treasurer	20,106	--	--	--	20,106
Maintenance Garage	50,081	--	--	--	50,081
General Government	<u>272,266</u>	<u>--</u>	<u>--</u>	<u>18,929</u>	<u>291,195</u>
Total general government	<u>729,626</u>	<u>--</u>	<u>--</u>	<u>18,929</u>	<u>748,555</u>
Public safety and judiciary:					
City Attorney	49,440	--	--	--	49,440
Police	2,012,698	--	--	32,760	2,045,458
Fire	888,867	--	--	27,252	916,119
Civil Emergency Management	18,150	--	--	--	18,150
Municipal Court	<u>123,654</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>123,654</u>
Total public safety and judiciary	<u>3,092,809</u>	<u>--</u>	<u>--</u>	<u>60,012</u>	<u>3,152,821</u>
Transportation					
Street	<u>--</u>	<u>809,306</u>	<u>786,801</u>	<u>--</u>	<u>1,596,107</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>	<u>Street &amp; Drainage Fund</u>	<u>PPWA Bond Proceeds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cultural, parks and recreation					
Library	316,718	--	--	22,703	339,421
Cemetery	159,318	--	--	1,830	161,148
Recreation	235,015	--	--	61	235,076
Tourism	<u>--</u>	<u>--</u>	<u>--</u>	<u>38,192</u>	<u>38,192</u>
Total cultural, parks and recreation	<u>711,051</u>	<u>--</u>	<u>--</u>	<u>62,786</u>	<u>773,837</u>
Debt service					
Principal	--	--	--	455,000	455,000
Interest and other charges	--	--	--	184,789	184,789
Capital outlay	<u>--</u>	<u>25,989</u>	<u>2,294,250</u>	<u>574,192</u>	<u>2,894,431</u>
Total expenditures	<u>4,533,486</u>	<u>835,295</u>	<u>3,081,051</u>	<u>1,355,708</u>	<u>9,805,540</u>
Excess (deficiency) of revenues over expenditures	<u>( 68,674)</u>	<u>550,559</u>	<u>( 3,080,448)</u>	<u>825,316</u>	<u>( 1,773,247)</u>
Other financing sources (uses)					
Transfers in	550,000	--	--	171,712	721,712
Transfers out	<u>--</u>	<u>--</u>	<u>( 163,155)</u>	<u>( 4,994)</u>	<u>( 168,149)</u>
Total other financing sources (uses)	<u>550,000</u>	<u>--</u>	<u>( 163,155)</u>	<u>166,718</u>	<u>553,563</u>
Net change in fund balances	481,326	550,559	(3,243,603)	992,034	( 1,219,684)
Fund balances - beginning	<u>1,592,064</u>	<u>1,075,740</u>	<u>6,719,055</u>	<u>2,572,591</u>	<u>11,959,450</u>
Fund balances - ending	<u>\$ 2,073,390</u>	<u>\$ 1,626,299</u>	<u>\$ 3,475,452</u>	<u>\$ 3,564,625</u>	<u>\$ 10,739,766</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

Reconciliation of the change in fund balances - total government funds to the change in net position of governmental activities

Net change in fund balances - total governmental funds \$(1,219,684)

Amounts reported for governmental activities in the Statement of Activities are different because

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital assets donated	207,500
Capital asset purchase capitalized	2,809,246
Depreciation expense	(1,585,471)
Assets deleted	( 12,500)
Capitalize interest	<u>92,395</u>

\$ 1,511,170

Governmental funds report long-term financing as revenues, while governmental activities report such financing as debt activities.

Payment of long-term debt	455,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences	<u>9,150</u>
------------------------------	--------------

Change in net position of governmental activities \$ 755,636

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Recreation Center</u>	<u>Golf Course Fund</u>	<u>Municipal Utility Department</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash	\$ 815,358	\$ 121,680	\$ 1,280,657	\$ 2,217,695
Taxes receivable	88,783	--	--	88,783
Accounts receivable	--	--	1,573,406	1,573,406
Due from other funds	--	--	522	522
Total current assets	<u>904,141</u>	<u>121,680</u>	<u>2,854,585</u>	<u>3,880,406</u>
Noncurrent assets:				
Restricted assets				
Cash and cash equivalents	--	--	9,161,287	9,161,287
Investments	--	--	356,390	356,390
Taxes receivable	--	--	177,566	177,566
Due from other funds	--	--	927,084	927,084
Inventory	--	--	1,611	1,611
Capital assets (net)	<u>5,758,861</u>	<u>686,092</u>	<u>23,009,268</u>	<u>29,454,221</u>
Total noncurrent assets	<u>5,758,861</u>	<u>686,092</u>	<u>33,633,206</u>	<u>40,078,159</u>
Total assets	<u>\$ 6,663,002</u>	<u>\$ 807,772</u>	<u>\$36,487,791</u>	<u>\$ 43,958,565</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	39,162	23,059	858,978	921,199
Accrued expenses	1,833	1,491	61,260	64,584
Accrued compensated absences	9,268	4,795	174,370	188,433
Due other funds	--	--	2,417	2,417
Current portion of long-term debt	--	9,011	--	9,011
Total current liabilities	<u>50,263</u>	<u>38,356</u>	<u>1,097,025</u>	<u>1,185,644</u>
Non-current liabilities				
Customers' meter deposits (payable from restricted assets)	--	--	904,650	904,650
Total non-current liabilities	<u>--</u>	<u>--</u>	<u>904,650</u>	<u>904,650</u>
Total liabilities	<u>50,263</u>	<u>38,356</u>	<u>2,001,675</u>	<u>2,090,294</u>
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	5,758,861	677,081	23,009,268	29,445,210
Restricted:				
Sales tax reserved for capital improvements	--	--	6,317,399	6,317,399
Charter required legal obligations	--	--	491,890	491,890
Property, plant and equipment and emergency and disaster	--	--	2,339,304	2,339,304
Unrestricted:	<u>853,878</u>	<u>92,335</u>	<u>2,328,255</u>	<u>3,274,468</u>
Total net position	<u>\$ 6,612,739</u>	<u>\$ 769,416</u>	<u>\$34,486,116</u>	<u>\$ 41,868,271</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds			
	<u>Recreation Center</u>	<u>Golf Course Fund</u>	<u>Municipal Utility Department</u>	<u>Total</u>
Operating revenues				
Utility charges	\$ --	\$ --	\$ 12,177,294	\$ 12,177,294
Utility taps	--	--	22,708	22,708
Penalties	--	--	161,117	161,117
Miscellaneous	--	--	117,807	117,807
Fee income	<u>318,349</u>	<u>386,510</u>	<u>--</u>	<u>704,859</u>
Total operating revenues	<u>318,349</u>	<u>386,510</u>	<u>12,478,926</u>	<u>13,183,785</u>
Operating expenses				
Purchased utilities	--	--	8,394,679	8,394,679
Personnel services	355,582	130,217	2,095,123	2,580,922
Personnel benefits	68,478	24,478	798,925	891,881
Materials and supplies	29,478	--	342,770	372,248
Other expenses	308,894	164,393	622,607	1,095,894
Bad debts expense	--	--	74,018	74,018
Depreciation expense	228,546	57,818	812,077	1,098,441
Less: expenses capitalized	<u>--</u>	<u>--</u>	<u>( 435,914)</u>	<u>( 435,914)</u>
Total operating expense	<u>990,978</u>	<u>376,906</u>	<u>12,704,285</u>	<u>14,072,169</u>
Net operating income (loss)	<u>( 672,629)</u>	<u>9,604</u>	<u>( 225,359)</u>	<u>( 888,384)</u>
Nonoperating revenue (expense)				
Gain (loss) on asset disposal	--	--	( 27,213)	( 27,213)
Sales tax revenue	497,281	--	994,563	1,491,844
Investment income	4,051	385	59,698	64,134
Interest expense	<u>( 352)</u>	<u>( 1,884)</u>	<u>--</u>	<u>( 2,236)</u>
Total nonoperating revenue (expenses)	<u>500,980</u>	<u>( 1,499)</u>	<u>1,027,048</u>	<u>1,526,529</u>
Net income (loss) before contributions and transfers	<u>( 171,649)</u>	<u>8,105</u>	<u>801,689</u>	<u>638,145</u>
Operating transfers in (out)	--	--	( 702,212)	( 702,212)
Capital transfers	<u>148,649</u>	<u>--</u>	<u>--</u>	<u>148,649</u>
Change in net position	<u>( 23,000)</u>	<u>8,105</u>	<u>99,477</u>	<u>84,582</u>
Net position - beginning of year	<u>6,635,739</u>	<u>761,311</u>	<u>34,386,639</u>	<u>41,783,689</u>
Net position - end of year	<u>\$ 6,612,739</u>	<u>\$ 769,416</u>	<u>\$ 34,486,116</u>	<u>\$ 41,868,271</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Business-type Activities - Enterprise Funds			
	<u>Recreation Center</u>	<u>Golf Course Fund</u>	<u>Municipal Utility Department</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers	\$ 318,349	\$ 386,510	\$ 12,722,732	\$ 13,427,591
Payments to suppliers	( 343,559)	( 155,145)	( 10,322,004)	( 10,820,708)
Payments to employees and benefits	( 427,457)	( 156,596)	( 2,094,918)	( 2,678,971)
Payments capitalized	--	--	435,914	435,914
Receipts over refunds of customer meter deposits	--	--	39,610	39,610
Net cash provided (used) by operating activities	( 452,667)	74,769	781,334	403,436
Cash flows from noncapital financing activities				
Operating subsidies and transfers to other funds	--	--	( 702,212)	( 702,212)
Net cash provided (used) by noncapital financing activities	--	--	( 702,212)	( 702,212)
Cash flows from capital and related financing activities				
Sales tax receipts	485,188	--	968,766	1,453,954
Purchases of capital assets	( 8,917)	( 5,000)	( 2,059,190)	( 2,073,107)
Repayment of long-term debt	--	( 60,961)	--	( 60,961)
Interest on long-term debt	--	( 3,406)	--	( 3,406)
Net cash provided (used) by capital and related financing activities	476,271	( 69,367)	( 1,090,424)	( 683,520)
Cash flows from investing activities				
Proceeds from sales (purchases) of investments	--	--	3,549	3,549
Interest and dividends	4,051	385	59,698	64,134
Net cash provided (used) by investing activities	4,051	385	63,247	67,683
Net increase (decrease) in cash and cash equivalents	27,655	5,787	( 948,055)	( 914,613)
Cash balances - beginning of the year	787,703	115,893	11,389,999	12,293,595
Cash balances - end of the year	\$ 815,358	\$ 121,680	\$10,441,944	\$11,378,982
Cash, including time deposits	815,358	121,680	1,280,657	2,217,695
Restricted cash, including time deposits	--	--	9,161,287	9,161,287
Total cash and cash equivalents, end of year	\$ 815,358	\$ 121,680	\$10,441,944	\$11,378,982

The notes to the financial statements are an integral part of this statement.

**CITY OF PRYOR CREEK, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Recreation Center</u>	<u>Golf Course Fund</u>	<u>Municipal Utility Department</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used by operating activities)				
Operating income (loss)	\$( 672,629)	\$ 9,604	\$( 225,359)	\$( 888,384)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Depreciation expense	228,546	57,818	812,077	1,098,441
Bad debt expense	--	--	74,018	74,018
Change in assets and liabilities				
Receivables, net	--	--	169,788	169,788
Inventories	--	--	( 32,135)	( 32,135)
Accounts and other payables	( 5,187)	9,248	( 56,870)	( 52,809)
Customer meter deposits payable	--	--	39,610	39,610
Accrued expenses	<u>( 3,397)</u>	<u>( 1,901)</u>	<u>205</u>	<u>( 5,093)</u>
	<u>\$( 452,667)</u>	<u>\$ 74,769</u>	<u>\$ 781,334</u>	<u>\$ 403,436</u>

Noncash investing, capital and financing activities:

For the fiscal year ending June 30, 2013, assets with a cost of \$180,485 and accumulated depreciation of \$153,271 were scrapped. A loss of \$27,214 resulted.

The Municipal Utility Department wrote off assets with a cost of \$421,679 and accumulated depreciation of \$358,439 that was replaced or scrapped per department policy. Certain items were sold at \$31,004 with a resulting loss on asset disposal of \$32,236 for the fiscal year ending June 30, 2012.

**CITY OF PRYOR CREEK, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**CITY OF PRYOR CREEK, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Pryor Creek was created in 1871 and operates under a strong Mayor/Council form of government. The City's major operations include public safety, (Police, fire and civil defense), recreation, parks and library, provision and maintenance of streets and drainage, utility service (electric, gas, water and sewer), and general administrative services. In addition, the City exercises sufficient control over other governmental agencies that are included as part of the City's reporting entity.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The City was required to implement the new financial reporting requirements of GASB Statement Nos. 33 and 34 for the year ended June 30, 2003. Effective for the year ended June 30, 2006, the City is reporting all infrastructure. See Notes 3.D and 3.J.

**1.A. FINANCIAL REPORTING ENTITY**

The City's financial reporting entity comprises the following:

Primary Government:	City of Pryor Creek
Blended Component Unit:	Pryor Public Works Authority
Blended Other Units	County Wide Fire Department Fund

In determining the financial reporting entity, The City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

### *Blended Component Unit*

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

### *Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

### **Blended Component Unit**

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Pryor Public Works Authority	While dormant for many years, the Authority was reactivated approximately 20 years ago for the purpose of entering into a long-term contract providing the citizens of Pryor Creek with trash services. Its major source of income is franchise fees from such contract	Special Revenues

### **Blended Other Units**

A countywide sales tax was passed, effective January 1, 2003, for the purpose of providing revenues to the various fire departments of Mayes County. The sales tax receipts, which began in March, 2003 and are equally divided among the fire departments, is administered by the County which maintains a fund for each fire department, including that of the City of Pryor Creek. Purchases against the funds can only be initiated by each fire department, sometimes requiring its governing board approval.

### **Other Units by Reference**

The Pryor Creek Economic Development Authority is included in this report. However, since the Authority has no assets, liabilities (only non-commitment debt to the City and the Authority), revenues or expenditures, it is included only by reference and explanation in the notes to the financial statements. The original amount of the debt was \$2,356,000.

## **1.B. BASIS OF PRESENTATION**

### *Government-wide Financial Statements:*

The Statement of Net position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

### **Governmental Funds**

#### *General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounting for in other funds.

#### *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

### *Capital Project Funds*

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. All capital project funds were created by Council action and derive their revenues as a result of Council action. Accordingly, the City Council can change or eliminate these funds by vote.

### *Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by other funds. This fund receives revenues from a 1/2 cent sales tax until the general obligation bonds are fully paid. Although not anticipated, the City may assess a property tax if such sales tax is insufficient.

### **Proprietary Fund**

### *Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Municipal Utility Department, Golf Course Fund and the Recreation Center constitute the enterprise funds.

### **Major and Non major Funds**

The funds are further classified as major or non major as follows:

<b>Fund</b>	<b>Brief Description</b>
<b>Major:</b>	
General	See above for description
Special Revenue Fund Street & Drainage	Accounts for revenues and expenditures of maintaining, improving and extending streets and drainage
PPWA Bond Proceeds	Accounts for bond proceeds to construct a new City Hall and for street improvements

**Proprietary Fund:**

**Municipal Utility Board**

Accounts for activities of providing electric, water, wastewater, and gas services to the public. See below for pertinent information pertaining to this fund including the dedication of revenues.

**Recreation Center  
Cash Fund**

Charges for membership and services for use of the facilities and personnel in addition to receiving ¼ of 1 cent sales tax. The facility opened in March, 2009. This fund was reported as a special revenue fund in the prior year.

**Golf Course Fund**

Accounts for revenues and expenses of municipally run course.

**Non major:**

**Special Revenue Funds:**

**E-911**

Accounts for revenues and expenditures of E-911 service that is legally restricted for public safety use.

**Countywide Fire  
Department**

See above for description.

**Cemetery Care**

Accounts for 25 percent of cemetery revenue restricted by State law for cemetery capital improvements.

**Cemetery Care  
Interest Fund**

Interest on cemetery care fund designated for cemetery operations.

**Seizures**

Police seizures for use of police department.

**Library**

Accounts for grants and contributions specifically for the library.

**Donations and  
Earmarked Monies**

Accounts for donations and grants for specific projects or specific purposes.

**Public Works Authority**

See above for description.

**Hotel and Motel Tax**

Accounts for revenues of hotel/motel tax restricted by local ordinance for the promotion of conventions and tourism.

PPWA Sinking Fund	Accounts for sales tax revenues and debt service expenditures for 2013 bonds
Fee-in-Lieu	Accounts for funds deposited with the City by third parties for drainage projects caused by real estate development.
Debt Service Fund	See above for description.
<b>Capital Project Funds:</b>	
Capital Outlay	Accounts for 1/8 of one cent sales tax dedicated for capital outlay. Cannot be changed without a vote of the people. Additionally, the Council voted to allocate the use tax from the Capital Outlay Fund to the General Fund for the entire year ending June 30, 2012 and beyond.
Capital Outlay Reserve	Although initially set up to fund the purchase of a fire truck in 2000, it has now essentially become a capital outlay fund for the fire department. Revenues consist of outside fire runs, fire subscriptions and grants for the fire department.
Real Property Acquisition	Created by the Council to accumulate funds for additions and improvements to land and buildings. The Council voted to allocate 1/10 of 1 cent sales tax to this fund from the General Fund for the entire year ending June 30, 2012 and beyond.
Library Building	Accounts for donations to add on to the existing library.

The Municipal Utility Department was created by the Charter for the City of Pryor Creek, Oklahoma in January, 1951. The Department operates under the Utility Board consisting of five members. Vacancies in the membership of the Utility Board are filled by appointment by the remaining members of the Board subject to the approval of the City Council. The Department's operations consist of providing electrical, gas, water and sewage disposal service to the citizens of the City of Pryor Creek. All revenues received are dedicated by Charter as follows:

First, revenues are to be used for the payment of operating expenses, expenses incidental to the running of new services and the installation of new meters without major extension of lines, cost of minor extensions of lines and cost of replacements due to obsolescence.

Secondly, the Board is authorized to set aside, out of its revenues (reduced by encumbrances), a reserve for depreciation, replacement of obsolete or worn out property, machinery and equipment and to provide an emergency fund in cases of

destruction or injury to utility properties. However, the funding for such reserve cannot exceed 20 percent of the net profits of the Utility Department for the year.

Third, after application of the foregoing, any surplus revenues shall be applied first to the current interest and accruals in the sinking fund of the City of Pryor Creek and thereafter transferred to the general fund of the City of Pryor Creek.

Legal counsel has ruled that if sufficient funding is otherwise available for the sinking fund, then such surplus revenues may go directly to the general fund.

### **1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### **Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus, except for sales tax revenues which are recognized on a "current financial resources" measurement by the Municipal Utility Department. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### **Basis of Accounting**

The City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2003. Beginning with the year ended June 30, 2006, all infrastructure is reflected on the Statement of Net Position. Prior to



then only additions to infrastructure for the years ended June 30, 2003, 2004 and 2005 were reflected on such statements. See Notes 3.D and 3.J pertaining to the capitalization of infrastructure in the current year.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are also presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. Sales and other taxes, franchise taxes, grants and investment earnings are recorded when earned. Grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### **Budget Basis of Accounting**

Formal budgetary accounting is employed as a management control for the governmental funds of the City. Annual operating budgets are adopted each fiscal year for most funds. The basis of accounting for budgetary purposes for all funds is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered. The Enterprises Funds of the golf course and Municipal Utility Department also adopt budgets and revenues are recognized when earned and billed and expenditures are recognized when incurred.

The budget method authorized by Oklahoma Statute adopted by the City for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. However, the Municipal Utility Department, an Enterprise Fund, annually budgets an amount to remit to the City's general fund. The budgeted amount, not 90% of the amount remitted for the year then ended, is utilized in preparing the general fund's budget. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.



## **I.D. ASSETS, LIABILITIES, AND EQUITY**

### **Investments**

Investments at June 30, 2013 consist of the following:

#### **Municipal Utility Department**

CD's with maturity dates greater than three months, but less than one year, with interest rates ranging from 1.30% to 4.00%	<u>\$ 356,390</u>
-----------------------------------------------------------------------------------------------------------------------------	-------------------

#### **General Fund**

CD with maturity date of two years with interest rate of 1.39%	58,000
Money market fund	<u>1,250</u>
	<u>59,250</u>

#### **Library Cash Fund**

CD with a maturity date of five years at 2.96% interest	<u>3,000</u>
---------------------------------------------------------	--------------

Grand Total	<u><u>\$ 418,640</u></u>
-------------	--------------------------

Investments on the balance sheet are reflected as:

Current assets	\$ 62,250
Restricted assets	<u>356,390</u>
	<u><u>\$ 418,640</u></u>

Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

### **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." See Note 3.I. for details of interfund transactions, including receivables and payables at year end.

## Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Municipal Utility Department is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has not been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers. The other proprietary fund, the golf course, has no receivables.

## Inventories

The Municipal Utility Department is the only fund that has inventory in the financial statements. Such inventory is generally for repairs and improvements to the system and is classified as a noncurrent asset.

## Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

### *Government-wide statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which have been recorded at their estimated fair value at the date of donation.

As of June 30, 2006 and later years, the governmental funds' infrastructure assets have been capitalized. Up to then, infrastructure was capitalized on a prospective basis for the years ending June 30, 2003, 2004 and 2005.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Governmental</u>	<u>Proprietary</u>
Buildings	25 - 50 years	20 - 40 years
Machinery and Equipment	3 - 20 years	5 - 10 years
Utility System	25 - 50 years	7 - 100 years
Infrastructure	13 - 160 years	

Because certain system additions for the Municipal Utility Department are actually replacements of old system assets, an estimate has been made to reduce the value of the system by the amount of the replaced assets. An estimate of 40% of current year utility system additions are removed, along with applicable accumulated depreciation, from appropriate utility system accounts (gas, electric, water, sewer). The oldest assets recorded are the first retired.

### *Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

### **Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to charter and third party required reserves and utility meter deposits.

### **Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of bonds and leases payable, accrued compensated absences, and customer meter deposits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

### **Compensated Absences**

The City's policies regarding vacation and other compensated time off permit employees to accumulate earned but unused time off. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

## **Equity Classifications**

### *Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

The Municipal Utility Department requires meter deposits for utility services. Such deposits are retained until services are discontinued. At that time, the deposits are applied first to any outstanding balances owed by the customers and the excess, if any, is refunded. No interest is paid on the deposits.

- c. Assigned net position - All net position that do not meet any of the definitions and are for a specific purpose
- d. Unassigned - All net position that do not meet any of the definitions and can be used for any purposes. Represents the net position of the General Fund.
- e. Unrestricted net position - All other net position of business-type activities that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as assigned and unassigned, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements. See Note 3.G. for additional disclosures.

## **1.E. REVENUES, EXPENDITURES, AND EXPENSES**

### **Sales Tax**

The City levies a 3.75 cent sales tax. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. The sales tax is allocated to the various funds by ordinance:

	<u>Through 8/31/2013</u>	<u>Effective 9/1/2013</u>
General Fund	1.725	1.625
Street and Drainage	.650	.650
Municipal Utility Department	.500	.500
Capital Outlay	.125	.225
Recreation Center Cash Fund	.250	.250
Sinking Fund - Bonded Indebtedness	<u>.500</u>	<u>.500</u>
	<u>3.750</u> cent	<u>3.750</u> cent

The .1 cent sales tax received by the Real Property Acquisition Fund was allocated to the General Fund effective for sales tax earned in December 2009 and received in February, 2010. This is the only portion of the sales tax that the ordinance allows to be allocated by the Council. This was done due to decreased sales tax in the General Fund due to the downturn in the economy. Effective September 1, 2012, such .1 cent sales tax was transferred to the Capital Outlay Fund.

The sales tax is recorded in the various funds with the exception of the sales tax for the Municipal Utility Department which is recorded in the General Fund and transferred to the Municipal Utility Department. The sales tax in the Municipal Utility Department is restricted as discussed in Note 3.J.

The 1/2 cent sales tax for the Sinking Fund for the purpose of paying off bonds of the Recreation Center was changed after the year end. The debt was paid off in November, 2012; however, a vote of the people extended the sales tax for the purpose of funding a new City Hall, street projects and improvements to the Recreation Center. The sales tax was extended for the shorter of 15 years or when the new bonds are retired.

### **Use Tax**

The City levies a 3.75 use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. Effective for use tax earned in December 2009 and received in February, 2010, the use tax was allocated to the General Fund rather than the Capital Outlay Fund due to the downturn in the economy.

## **Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

## **Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

## **Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

## **NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City of Pryor Creek's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

## **2.A. FUND ACCOUNTING REQUIREMENTS**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

<b>Fund</b>	<b>Required By</b>
Cemetery Care Fund	State Law
Municipal Utility Department	City Charter
Street and Drainage	State Law
Public Works Authority	Trust Indenture

## **2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A. Section 1823 (e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee.

## **2.C. REVENUE RESTRICTIONS**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<b>Revenue Source</b>	<b>Legal Restrictions of Use</b>
Sales Tax	See Notes 1.E. and 3.J.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
E-911 revenue	E-911 Emergency Services Purposes
Water, Sewer, Electrical, and Gas Revenue	Debt Service & Utility Operations
Cemetery Revenue (15%)	Cemetery Capital Improvements
Hotel/Motel Tax	Convention and Tourism
Golf Revenue	Golf Operations and Maintenance
Recreation Center Revenues	Recreation Center Operations and Maintenance

For the year ended June 30, 2013, the City complied, in all material respects, with these revenue restrictions.



## **2.D. DEBT RESTRICTIONS AND COVENANTS**

### **General Obligation Debt**

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2013, the City complied with this provision.

### **Other Long-term Debt**

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the City (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2013, the City incurred no such indebtedness.

## **2.E. FUND EQUITY RESTRICTIONS**

### **Deficit Prohibition**

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The City of Pryor Creek complied with this statute in all material respects for the year ended June 30, 2013.

## **NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

## **3.A. CASH AND INVESTMENTS**

### **Deposits**

The City's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2013. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name



Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name; or collateralized with no written or approved collateral agreement

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Total Deposits	<u>\$22,131,936</u>	<u>\$ 563,730</u>	<u>\$21,568,206</u>	<u>\$</u>	<u>\$21,980,310</u>
Reconciliation to Government-wide Statement of Net position:					
Unrestricted cash					<u>\$ 7,612,638</u>
Time deposits					<u>62,250</u>
Restricted cash, including time deposits					<u>14,305,422</u>
					<u>\$21,980,310</u>

## Investments

Investments consisted of short term (three years or less) certificates of deposit and money market accounts with interest rates ranging from .01% to 4.00%.

## 3.B. RESTRICTED ASSETS

Restricted assets consist of cash, certificates of deposit, investments, and taxes receivable reserved as follows:

### *Municipal Utility Department*

Customer meter deposits - reflected as a long-term liability on the balance sheet	\$ 904,650
Reserve for property, plant and equipment replacements and emergency and disaster relief - reflected as a reservation of retained earnings on the balance sheet	2,339,305
Sales tax allocated for capital improvements	6,317,399
Reserved for charter required legal obligations	<u>491,890</u>
	<u>\$10,053,244</u>

### *City of Pryor*

Bond proceeds reserved for construction projects	4,288,262
Reserve fund for payment of principal and interest on bonds	<u>1,033,438</u>
Interest on bonds	<u>5,321,700</u>
Grand total	<u>\$15,374,944</u>

Encumbrances are recognized as a reserve on the Municipal Utility Department, a proprietary type fund due to the City Charter's definition and allocation of such fund's computation and distribution of surplus revenues between the General Fund and the reserves of the Municipal Utility Department. See Note 3.J. for additional information.

### 3.C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of grants receivable.

Accounts receivable of the Municipal Utility Department are reported at their gross value without an allowance for doubtful accounts. All accounts have utility deposits with the Department which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible. Accordingly, no allowance for uncollectible accounts has been established. The following is a summary of the bad debts for the current and prior four fiscal years:

June 30, 2013	\$74,017
June 30, 2012	\$45,414
June 30, 2011	\$40,984
June 30, 2010	\$46,024
June 30, 2009	\$33,719

### 3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
Governmental activities:				
Land	\$ 2,276,610	\$ 207,500	\$( 12,500)	\$ 2,471,610
Buildings	3,313,119	8,125	--	3,321,244
Machinery and equipment	6,851,014	506,873	( 29,449)	7,328,438
Infrastructure				
Improvements	51,215,879	--	--	51,215,879
Land, easements, etc.	7,045,000	--	--	7,045,000
Work in progress	<u>127,419</u>	<u>2,386,644</u>	<u>( 88,236)</u>	<u>2,425,827</u>
Totals at historical cost	<u>70,829,041</u>	<u>3,109,142</u>	<u>( 130,185)</u>	<u>73,807,998</u>

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
Less accumulated depreciation				
Buildings	( 1,860,920)	( 68,904)	--	( 1,929,824)
Machinery and equipment	( 4,421,184)	( 526,591)	29,449	( 4,918,326)
Infrastructure	<u>(19,264,670)</u>	<u>( 989,976)</u>	<u>--</u>	<u>(20,254,646)</u>
Total accumulated depreciation	<u>(25,546,774)</u>	<u>( 1,585,471)</u>	<u>29,449</u>	<u>(27,102,796)</u>
Governmental activities capital assets, net	<u>\$ 45,282,267</u>	<u>\$ 1,523,671</u>	<u>\$( 100,736)</u>	<u>\$ 46,705,202</u>
Business-type activities:				
Land and easements	350,426	--	--	350,426
Buildings	7,615,220	166,453	--	7,781,673
Machinery and equipment	3,407,961	90,702	( 6,119)	3,492,544
Utility property	32,352,048	1,827,308	( 174,366)	34,004,990
Work in progress	<u>--</u>	<u>132,300</u>	<u>--</u>	<u>132,300</u>
Totals at historical cost	<u>43,725,655</u>	<u>2,216,763</u>	<u>( 180,485)</u>	<u>45,761,933</u>
Less accumulated depreciation:				
Buildings	( 1,448,121)	( 195,985)	--	( 1,644,106)
Machinery and equipment	( 2,419,463)	( 195,733)	6,119	( 2,609,077)
Utility property	<u>(11,494,958)</u>	<u>( 706,723)</u>	<u>147,152</u>	<u>(12,054,529)</u>
Total accumulated depreciation	<u>(15,362,542)</u>	<u>( 1,098,441)</u>	<u>153,271</u>	<u>(16,307,712)</u>
Business-type capital assets, net	<u>\$ 28,363,113</u>	<u>\$ 1,118,322</u>	<u>\$( 27,214)</u>	<u>\$ 29,454,221</u>

\* Depreciation expense was charged to governmental activities as follows:

General government:	
City Clerk	\$ 5,439
Maintenance Garage	987
General government	12,696
Mayor's office	<u>1,244</u>
Total general government	<u>20,366</u>
Public safety and judiciary:	
Police	208,370
Fire	192,369
Civil emergency management	9,168
Municipal Court	<u>212</u>
Total public safety and judiciary	<u>410,119</u>
Transportation:	
Streets	<u>1,065,603</u>
Total transportation	<u>1,065,603</u>
Cultural, parks and recreation:	
Library	21,447
Cemetery	13,361
Swimming pool and parks	<u>54,575</u>
Total cultural, parks and recreation	<u>89,383</u>
Total depreciation expense	<u>\$1,585,471</u>

### 3.E. INVENTORY

Inventory consists of utility materials and supplies that will be expensed when used for repairs and/or capitalized when used for improvements. The Department maintains such inventories for ordinary and emergency repairs and improvements and many of the items are in the nature of a back-up to parts of the utility system. Thus, many of the inventory items will not be used in the next fiscal year. Accordingly, inventory has not been classified as a current asset. Inventory is stated at cost on a first-in, first-out basis.

### 3.F. ACCOUNTS PAYABLE

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll.

### 3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

#### Governmental Activities

The following is a summary of the City's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2013:

Debt outstanding, July 1, 2012	\$ 7,004,642
Additions	--
Retirements	<u>( 459,642)</u>
Debt outstanding, June 30, 2013	<u>\$ 6,545,000</u>

The provisions of such debt at June 30, 2013 are as follows:

	<u>Total Debt</u>	<u>Due Within One Year</u>
2011 capital improvement bonds in the original amount of \$7,000,000, payable in varying amounts of principal and interest until September 1, 2026. The net interest cost is \$3.23635% secured and paid by a 1/2 cent sales tax, which expires when the bonds are retired.	\$6,545,000	\$ 400,000
Lease/purchase of exercise equipment for the Pryor		
Amount due in one year	<u>400,000</u>	
Long term portion	<u>\$6,145,000</u>	

The lease purchase debt is reported in the Recreation Center, but the debt is being paid out of the Capital Outlay Fund, a governmental fund. Accordingly, the lease purchase debt is presented as business-type debts on statements 1 and 5 of the financial statements.

The following is a summary of payments due until maturity:

	<u>Interest</u>	<u>Principal</u>
Year ending June 30, 2014	181,520	400,000
Year ending June 30, 2015	175,479	405,000
Year ending June 30, 2016	167,988	415,000
Year ending June 30, 2017	159,322	420,000
Year ending June 30, 2018	149,688	430,000
Year ending June 30, 2019	138,877	440,000
Year ending June 30, 2020	127,239	455,000
Year ending June 30, 2021	114,584	465,000
Year ending June 30, 2022	100,757	480,000
Year ending June 30, 2023	85,718	490,000
Year ending June 30, 2024	69,080	510,000
Year ending June 30, 2025	50,964	525,000
Year ending June 30, 2026	31,699	545,000
Year ending June 30, 2027	10,876	565,000

## **BUSINESS-TYPE ACTIVITIES**

The following is a summary of the Golf Course long-term debt transactions for the year ended June 30, 2013:

Debt outstanding July 1, 2012	\$ 69,972
Additions	--
Retirements	<u>( 60,961)</u>
Debt outstanding June 30, 2013	<u>\$ 9,011</u>

The provision of such debt at June 30, 2013 is as follows:

	<u>Total</u>	<u>Due Within</u>
Lease/purchase on golf irrigation system in the original Amount of \$300,000. Payable in annual payments of \$49,332.30 including 4.26% interest, with a final payment in September, 2013 of \$9,394.93	<u>9,011</u>	<u>9,011</u>
Amount due in one year	<u>9,011</u>	
Long-term portion	<u>\$ --</u>	

The following is a summary of payments until maturity:

	<u>Interest</u>	<u>Principal</u>
Year ending June 30, 2014	384	9,011

Long-term debt of the Municipal Utility Department consists of customer meter deposits.

Cash has been reserved in an amount equal to customer meter deposits, which are refundable only when services are terminated. The meter deposits are not interest bearing.

### **Non-Commitment Debt**

The notes and bonds payable comprising the Pryor Creek Economic Development Authority's indebtedness are not indebtedness of the State of Oklahoma, nor of the City of Pryor Creek, nor are they personal obligations of the Pryor Creek Economic Development Authority, but are obligations of the Authority payable solely from the Trust Estate consisting of the Authority notes and related Financing Agreements and other security outlined in the Mortgage or Bond indentures.

This debt is considered non-commitment debt to the City and Authority since the debt payments are made solely from the notes receivable or financing agreement proceeds from industrial occupants. Payments are made directly by the industrial occupants to trustee banks who pay the bondholders. In the event of default by the industrial occupants, the City or Authority has no obligation, in substance, to make any payments on the debt since the notes receivable, financing agreements and mortgages on the property with the industrial occupant are the only security for the debt.

As a result of the non-commitment determination, the Authority's indebtedness and related receivables from industrial occupants are not recorded in the financial statements.

### **3.H ACCRUED COMPENSATED ABSENCES**

City employees are entitled to certain compensated absences based on their length of employment. This liability is reflected in the balance sheet of the proprietary funds. Additionally, the full amount of the accrual is included in the Street and Drainage Special Revenue Fund, as that fund appears to have sufficient expendable available financial resources to liquidate the obligation.

The accrued compensated absences for the Governmental Funds totals \$220,724. Due to its limited expendable available financial resources, only \$74,064 of this amount has been included as a liability in the General Fund in the Fund financial statements. However, the \$220,724 is reflected as a liability on the government-wide statements.

### 3.I. DUE TO/FROM OTHER FUNDS - OPERATING AND CAPITAL TRANSFERS

As of June 30, 2013, interfund receivables and payables which resulted from various interfund transactions were as follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ --	\$ 2,133
Public Works Authority	2,417	--
Municipal Utility Department	<u>2,133</u>	<u>2,417</u>
	<u>\$ 4,550</u>	<u>\$ 4,550</u>

Operating transfers during the year consisted of the following:

	<u>From</u>		<u>To</u>	
	<u>Fund</u>	<u>Amount</u>	<u>Fund</u>	<u>Amount</u>
Distribution of current operating income	Municipal Utility Department	\$550,000	General Fund	\$550,000
Purchase of Generator for the new City Hall	Municipal Utility Board	152,212	Real Property Acquisition	152,212
Improvements to Recreation Center	PWA Bond Proceeds	163,155	Recreation Center	163,155
Net Activity - Purchase of Equipment	Recreation Center	14,506	Capital Outlay Fund	14,506

### 3.J. FUND EQUITY

Reservations of retained earnings of the Municipal Utility Department are created either to (1) satisfy the legal covenants that require that a portion of retained earnings be segregated or (2) identify the portion of retained earnings that is not available for future operating expenditures. Specific reservations of retained earnings are summarized below.

**Reserve for Charter Required Legal Obligations** - It has been interpreted by legal counsel that the Department is to encumber cash for goods and services ordered but not received as of the end of the year for purposes of determining "surplus revenues" that can be added to reserves or remitted to the City of Pryor Creek. Accordingly, a reserve has been provided for such encumbrances.

**Reserved for Capital Improvements from Sales Tax** - This reserve is funded by a 1/2 cent sales tax and interest revenue. The Department is utilizing such revenues to fund depreciation for the waste water treatment plant as required in grant agreements. The excess can only be used for utility systems improvements and additions. The activity in this reserve account is summarized as follows:

Balance - July 1, 2012	<u>\$ 7,227,177</u>
Additions	
Reserve transfers in from sales tax	994,563
Interest income applicable to reserve balance	<u>55,267</u>
	<u>1,049,830</u>
Subtractions	
Equipment and system additions paid for from reserves	<u>( 1,959,608)</u>
	<u>( 1,959,608)</u>
Balance - June 30, 2013	<u>\$ 6,317,399</u>

**Reserve for Property, Plant and Equipment and Emergency and Disaster Relief** - This reserve is authorized in the Charter of the City of Pryor Creek and is in accordance with State Statutes. It provides a method of funding future replacements and additions to fixed assets and a reserve for disasters.

The activity in this reserve account is summarized as follows:

Balance - July 1, 2012	\$ 2,365,331
Additions	
Contribution of general operations to decrease unreserved cash to level of liabilities as of June 30, 2013	126,185
Subtractions	
Purchase of a generator for the new City Hall	<u>( 152,212)</u>
Balance June 30, 2013	<u>\$ 2,339,304</u>



## NOTE 4. OTHER NOTES

### 4.A. Employee Pension

#### *I The Oklahoma Firefighters Pension and Retirement System*

##### A. Plan Description

All firemen, both full time employees and volunteers, of the City of Pryor Creek, Oklahoma are covered by the Oklahoma Firefighters Pension and Retirement System, which is a cost-sharing multiple-employer PERS

All firemen, except those under 18 years of age and an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65 are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the City or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50. The benefit for full-time fireman is 2.5% of the average of the final 30 months salary times the years of service, with a maximum of 30 years. The benefit for volunteer fireman is \$5.33 per month times the years of service, with a maximum of 30 years.

Pension provisions include deferred allowances whereby a firefighter may terminate with the City after accumulating 10 years of service but not before reaching the age of 50. The firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he would have completed 20 years of service, whichever is later. Pension provisions include death and disability benefits, whereby the disabled firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

The City's current-year covered payroll and its total current-year payroll for full-time employees is \$518,190. Contributions and benefits for volunteer fireman are not based on payroll.

##### B. Contributions Required and Made

The City's contribution to the plan is 13.0% of the salaries for full-time fireman and an annual contribution of \$60 for each volunteer fireman. The full-time fireman contribute 8% of their salaries. Volunteer firemen do not make contributions to the plan.

Total contributions made during fiscal year 2013 amounted to \$100,254, of which \$62,062 was made by the City and \$38,192 was made by firefighters. Total contributions are allocated between the Municipality and the state. The contribution amounts for municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

### C. Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2013, was as follows:

Total pension benefit obligations	\$3,081,900,000
Net position available for pension benefits, at market	<u>1,811,700,000</u>
Unfunded pension benefit obligation	<u>\$1,270,200,000</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2013. Net position available to pay pension benefits were valued as of the same date.

The City's 2013 required contribution to the State PERS represents less than one tenth of 1% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

### D. Related Party Investments

During the fiscal year and as of June 30, 2013, the Oklahoma Firefighter Pension and Retirement System held no securities issued by the City of other related parties.

## II *Oklahoma Police Pension and Retirement System*

### A. Plan Description

All policemen of the City of Pryor Creek, Oklahoma are covered by the Oklahoma Police Pension and Retirement System, which is a cost-sharing multiple-employer PERS.

All policemen are covered except those less than 21 years of age or over 35 years of age when accepted for initial membership. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Upon completion of 20 years of

credited service, a member is eligible for a normal retirement benefit payable immediately for life. The amount of the benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service, with a maximum of 30 years of service considered. Final average salary means the average base salary of an officer over the highest 30 consecutive months of the last 60 months of credited service.

Prior to completion of 10 years of service, a member receives a refund of contributions without interest. A member with 10 or more years of credited service, but not eligible for the normal retirement benefit, is eligible for a deferred vested benefit payable at the later of the date the member would have had 20 years of service or attained age 50. The amount of the deferred vested benefit is equal to 2 1/2% of the final average salary multiplied by the years of credited service.

Disability and death benefits differ based upon whether the death or disability resulted in the line of duty or not. If in the line of duty, a benefit is payable immediately equal to the greater of 2 1/2% of the final average salary times the years of credited service (maximum 30 years), and 50% of the final average salary. If not in the line of duty, a benefit is payable for a member who has completed 10 or more years of service equal to 2 1/2% of the final average salary times the years of credited service (maximum of 30 years). Additionally, upon the death of an active or retired member, the beneficiary shall receive a lump-sum of \$4,000.

#### **B. Contributions Required and Made**

The City's contribution to the plan is 13.0% of the covered payroll. Additionally, the policemen contribute 8% of their salaries. Four individual policemen have signed up under special 5 years until retirement plan. In such an instance, the policemen do not pay in, but the City still contributes 13%.

Total contributions made in the current year amounted to \$184,106, of which \$113,970 was made by the City and \$70,136 made by the policemen. Total contributions are allocated between the Municipalities and the State. The contribution amounts for the Municipalities are set by State statutes. Therefore, the remainder of required contributions must be made by the State.

#### **C. Funding Status and Progress**

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present values of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess

progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of June 30, 2013, was as follows:

Total pension benefit obligations	\$2,131,200,000
Net position available for pension benefits, at market	<u>1,902,600,000</u>
Unfunded pension benefit obligation	<u>\$ 228,600,000</u>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of June 30, 2013. Net position available to pay pension benefits were valued as of the same date.

The City's current year required contribution to the State PERS represents less than 1% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

#### D. Related Party Investments

During the fiscal year and as of June 30, 2013, the Oklahoma Police Pension and Retirement System held no securities issued by the City.

### III Pryor Creek Public Employee Retirement System (PCPERS)

#### A. Plan Description

The City of Pryor Creek contributes to the Pryor Creek Public Employee Retirement System (PCPERS), which is a defined contribution pension plan administered by an insurance company. The PCPERS covers all employees of the City of Pryor Creek who are not covered by the Oklahoma Firefighters Pension and Retirement System, the Oklahoma Police Pension and Retirement System, or the employees of the Municipal Utility Department, which has a separate plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

Coverage is extended to eligible employees who have completed 6 months of service and attained the age of 20.5. Contributions made by an employee vest immediately and contributions made by the City vest 10% for each year of service beginning with the first year.

#### B. Contributions Required and Made

Employees contributions to the plan are voluntary. An employee can, however, make elective contributions to the plan so that his or her contributions can be 10% of gross earnings. The City's required contribution to the plan is 9% of employee's gross earnings during the current year.

During the fiscal year ending June 30, 2013, the City's required and actual contributions amounted to \$111,821, which was 9% of its current year covered payroll of \$1,242,443.

#### C. Related Party Investments

The PCPERS held no securities of the City or other related parties during the year or as of the close of the fiscal year.

### IV. *Municipal Utility Department of Pryor, Oklahoma Money Purchase Plan*

#### A. Plan Description

The Municipal Utility Board contributes to the Municipal Utility Department of Pryor, Oklahoma Money Purchase Plan, (MUDPOMPP) which is a defined contribution pension plan administered by an insurance company. The MUDPOMPP covers all employees of the Department.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Coverage is extended to eligible employees who have completed one year of service and attained the age of 21. Contributions are not made by an employee and contributions made by the Department are vested 20% in the plan after two years of service. After six years, employees are fully vested.

#### **B. Contributions Required and Made**

Employee contributions to the plan are not allowed. The Department's required contribution to the plan was 10% for the year.

During the fiscal year ending June 30, 2013, the Department's required and actual contributions amounted to \$183,371, with a current year covered payroll of \$1,833,799.

#### **C. Related Party Investments**

The MUDPOMPP held no securities of the City or other related parties during the year or as of the close of the fiscal year.

#### **4.B. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these various risks through the purchase of commercial insurance with varying deductibles. These deductibles are well below materiality levels for the City. Additionally, the Municipal Utility Department has reserves for replacement of assets as described in Note 3.J. During the last three years no claim has been settled for amounts in excess of insurance coverage.

#### **4.C. Subsequent Events**

Subsequent events have been evaluated through the date of the Auditor's Report. See Note 3.G. regarding a material subsequent payment on long-term debt.

Subsequent to year end, MUB and the City moved into a newly constructed City Hall paid for by a bond issue. The bond issue was funded by a temporary sales tax, passed by the citizens of Pryor, primarily to fund construction of the new facility and for major street repairs. MUB's main contribution to the project was land, transferred to the City in the fiscal year ending June 30, 2012 and the purchase and transfer of an emergency generator in the fiscal year ending June 30, 2013.

There is currently no formal agreement between the City and MUB regarding occupancy of the facility, which is consistent with past practices of the last 60+ years. Each entity pays for their respective occupational expenses to operate the new facility. City and MUB personnel will meet in the near future to discuss formalizing the current arrangement in writing.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

**Budgetary Comparison Schedules - General Fund and Street and Drainage Fund**



**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Beginning budgetary fund balance	<u>\$ 1,019,971</u>	<u>\$ 1,019,971</u>	<u>\$ 1,019,971</u>	<u>\$ --</u>
Resources (inflows)				
Taxes				
Cable TV franchise	47,453	47,453	30,343	( 17,110)
Telephone franchise	23,480	23,480	13,368	( 10,112)
Sales tax	2,641,578	2,641,578	3,184,400	542,822
Utility gross receipts tax	6,118	6,118	6,455	337
Cigarette tax	88,671	88,671	94,931	6,260
Use tax	<u>281,488</u>	<u>281,488</u>	<u>481,843</u>	<u>200,355</u>
Total taxes	<u>3,088,788</u>	<u>3,088,788</u>	<u>3,811,340</u>	<u>722,552</u>
Intergovernmental				
Alcoholic beverage tax	58,735	58,735	68,178	9,443
Grants and donations	<u>62,933</u>	<u>62,933</u>	<u>53,572</u>	<u>( 9,361)</u>
Total intergovernmental	<u>121,668</u>	<u>121,668</u>	<u>121,750</u>	<u>82</u>
Charges for services				
Burial plots, etc.	48,851	48,851	48,850	( 1)
Library	5,401	5,401	5,397	( 4)
Swimming pool	<u>18,879</u>	<u>18,879</u>	<u>17,281</u>	<u>( 1,598)</u>
Total charges for services	<u>73,131</u>	<u>73,131</u>	<u>71,528</u>	<u>( 1,603)</u>
Fines and forfeitures				
Police fines	<u>232,048</u>	<u>232,048</u>	<u>317,570</u>	<u>85,522</u>
Licenses and permits				
Various licenses	<u>8,933</u>	<u>8,933</u>	<u>8,950</u>	<u>17</u>
Investment income	<u>5,943</u>	<u>5,943</u>	<u>6,526</u>	<u>583</u>
Miscellaneous				
Rentals	9,948	9,948	17,796	7,848
Miscellaneous	<u>66,452</u>	<u>66,452</u>	<u>8,396</u>	<u>( 58,056)</u>
Total miscellaneous	<u>76,400</u>	<u>76,400</u>	<u>26,192</u>	<u>( 50,208)</u>

Unaudited



**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Other financing sources				
Operating transfers in	<u>550.000</u>	<u>550.000</u>	<u>550.000</u>	<u>==</u>
Amounts available for appropriation	<u>5,176,882</u>	<u>5,176,882</u>	<u>5,933,827</u>	<u>756,945</u>
Charges to appropriations (outflows)				
General government				
Personal services	213,184	213,184	197,704	15,480
Maintenance and operation	<u>551,908</u>	<u>550,908</u>	<u>279,620</u>	<u>271,288</u>
Total General Government	<u>765,092</u>	<u>764,092</u>	<u>477,324</u>	<u>286,768</u>
City Clerk				
Personal services	161,625	161,625	146,021	15,604
Maintenance and operation	<u>11,500</u>	<u>11,500</u>	<u>7,736</u>	<u>3,764</u>
Total City Clerk	<u>173,125</u>	<u>173,125</u>	<u>153,757</u>	<u>19,368</u>
City Treasurer				
Personal services	19,380	19,380	19,143	237
Maintenance and operation	<u>1,330</u>	<u>1,330</u>	<u>963</u>	<u>367</u>
Total City Treasurer	<u>20,710</u>	<u>20,710</u>	<u>20,106</u>	<u>604</u>
City Attorney				
Personal services	51,050	51,050	46,290	4,760
Maintenance and operation	<u>6,500</u>	<u>6,500</u>	<u>3,150</u>	<u>3,350</u>
Total City Attorney	<u>57,550</u>	<u>57,550</u>	<u>49,440</u>	<u>8,110</u>
Municipal Court				
Personal services	132,356	132,356	121,367	10,989
Maintenance and operation	<u>3,850</u>	<u>3,850</u>	<u>2,161</u>	<u>1,689</u>
Total Municipal Court	<u>136,206</u>	<u>136,206</u>	<u>123,528</u>	<u>12,678</u>

**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Police</b>				
Personal services	1,865,123	1,840,123	1,746,008	94,115
Maintenance and operation	<u>139,300</u>	<u>164,300</u>	<u>164,166</u>	<u>134</u>
Total Police	<u>2,004,423</u>	<u>2,004,423</u>	<u>1,910,174</u>	<u>94,249</u>
<b>Dog Pound</b>				
Personal services	82,950	73,950	66,823	7,127
Maintenance and operations	<u>41,900</u>	<u>50,900</u>	<u>50,182</u>	<u>718</u>
Total Dog Pound	<u>124,850</u>	<u>124,850</u>	<u>117,005</u>	<u>7,845</u>
<b>Fire</b>				
Personal services	893,325	887,325	825,523	61,802
Maintenance and operation	<u>58,750</u>	<u>64,750</u>	<u>63,661</u>	<u>1,089</u>
Total Fire	<u>952,075</u>	<u>952,075</u>	<u>889,184</u>	<u>62,891</u>
<b>Civil Emergency Management</b>				
Personal services	14,508	14,508	14,508	--
Maintenance and operation	<u>2,850</u>	<u>3,850</u>	<u>3,642</u>	<u>208</u>
Total Civil Emergency Management	<u>17,358</u>	<u>18,358</u>	<u>18,150</u>	<u>208</u>
<b>Planning and Zoning</b>				
Personal services	1,295	1,395	1,326	69
Maintenance and operation	<u>8,050</u>	<u>7,950</u>	<u>5,703</u>	<u>2,247</u>
Total Planning and Zoning	<u>9,345</u>	<u>9,345</u>	<u>7,029</u>	<u>2,316</u>
<b>Parks and Pool</b>				
Personal services	186,613	186,613	162,087	24,526
Maintenance and operation	<u>81,900</u>	<u>81,900</u>	<u>73,074</u>	<u>8,826</u>
Total Parks and Pool	<u>268,513</u>	<u>268,513</u>	<u>235,161</u>	<u>33,352</u>
<b>Maintenance Garage</b>				
Personal services	48,125	48,125	44,210	3,915
Maintenance and operation	<u>7,450</u>	<u>7,450</u>	<u>5,886</u>	<u>1,564</u>
Total Maintenance Garage	<u>55,575</u>	<u>55,575</u>	<u>50,096</u>	<u>5,479</u>
<b>Community Service</b>				
Personal services	69,329	69,329	21,076	48,253
Maintenance and operation	<u>6,225</u>	<u>6,225</u>	<u>1,761</u>	<u>4,464</u>
Total Community Service	<u>75,554</u>	<u>75,554</u>	<u>22,837</u>	<u>52,717</u>

**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Library</b>				
Personal services	252,094	252,094	248,337	3,757
Maintenance and operation	<u>71,000</u>	<u>71,000</u>	<u>69,858</u>	<u>1,142</u>
<b>Total Library</b>	<u>323,094</u>	<u>323,094</u>	<u>318,195</u>	<u>4,899</u>
<b>Cemetery</b>				
Personal services	175,612	175,612	143,060	32,552
Maintenance and operation	<u>17,800</u>	<u>17,800</u>	<u>16,759</u>	<u>1,041</u>
<b>Total Cemetery</b>	<u>193,412</u>	<u>193,412</u>	<u>159,819</u>	<u>33,593</u>
<b>Total Charges to Operations</b>	<u>5,176,882</u>	<u>5,176,882</u>	<u>4,551,805</u>	<u>625,077</u>
<b>Ending Budgetary Fund Balances</b>	<u>\$ --</u>	<u>\$ --</u>	1,382,022	<u>\$1,382,022</u>
<b>Adjustments to reconcile to balance sheet</b>				
Taxes receivable			723,087	
Accrued compensated absences			( 48,886)	
Reserve for encumbrances			<u>17,167</u>	
<b>Fund Balance</b>			<u>\$ 2,073,390</u>	

**CITY OF PRYOR CREEK, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
STREET AND DRAINAGE FUND  
YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Beginning budgetary fund balance	\$ 866,940	\$ 866,940	\$ 866,940	\$ --
Resources (Inflows)				
Gasoline tax	24,493	24,493	17,652	( 6,841)
Commercial vehicle tax	64,542	64,542	67,702	3,160
Sales tax	1,174,036	1,174,036	1,261,490	87,454
Interest	9,815	9,815	5,573	( 4,242)
Miscellaneous	<u>25,137</u>	<u>25,137</u>	<u>2,500</u>	<u>( 22,637)</u>
Amounts available for appropriation	<u>2,164,963</u>	<u>2,164,963</u>	<u>2,221,857</u>	<u>56,894</u>
Charges to appropriations				
Personal services	626,951	626,951	554,179	72,772
Operation and maintenance	263,950	263,950	251,352	12,598
Capital outlay	<u>509,250</u>	<u>509,250</u>	<u>13,459</u>	<u>495,791</u>
Total charges to appropriations	<u>1,400,151</u>	<u>1,400,151</u>	<u>818,990</u>	<u>581,161</u>
Ending budgetary fund balance	<u>\$ 764,812</u>	<u>\$ 764,812</u>	<u>1,402,867</u>	<u>\$ 638,055</u>
Adjustments to reconcile to balance sheet				
Taxes receivable			245,974	
Accrued compensated absences			( 25,178)	
Reserve for encumbrances			<u>2,636</u>	
Fund Balance			<u>\$ 1,626,299</u>	

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

**CITY OF PRYOR CREEK, OKLAHOMA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

**SPECIAL REVENUE FUNDS**

	E-911 Cash Fund	County-Wide Fire Dept. Funds	Cemetery Care Interest Fund	Cemetery Care Fund	Seizures Fund	Library Cash Fund	Donations & Earmarked Monies Fund	Public Works Authority	Hotel & Motel Tax Fund	Fee In-Lieu Fund
<b>ASSETS</b>										
Cash	\$56,308	\$170,281	\$8,138	\$100,825	\$22,714	\$23,855	\$198,641	\$41,934	\$99,769	\$53,727
Investments	--	--	--	--	--	3,000	--	--	--	--
Taxes receivable	6,098	38,638	--	--	--	--	--	--	4,605	--
Due from other funds	--	--	--	--	--	--	--	2,417	--	--
<b>Total assets</b>	<b>\$62,406</b>	<b>208,919</b>	<b>\$8,138</b>	<b>\$100,825</b>	<b>\$22,714</b>	<b>\$26,855</b>	<b>\$198,641</b>	<b>\$44,351</b>	<b>\$104,374</b>	<b>\$53,727</b>
<b>LIABILITIES</b>										
Accounts payable	811	--	--	13	--	1,185	1,219	5,600	4,000	--
Accrued expenses	--	--	--	--	--	--	--	--	--	--
Due to other funds	--	--	--	--	--	--	--	--	--	--
<b>Total liabilities</b>	<b>811</b>	<b>--</b>	<b>--</b>	<b>13</b>	<b>--</b>	<b>1,185</b>	<b>1,219</b>	<b>5,600</b>	<b>4,000</b>	<b>--</b>
<b>FUND BALANCES</b>										
Restricted	61,595	208,919	--	100,812	--	24,870	197,422	--	100,374	--
Committed	--	--	--	--	--	800	--	--	--	--
Assigned	--	--	8,138	--	22,714	--	--	--	--	53,727
Unassigned	--	--	--	--	--	--	--	38,751	--	--
<b>Total fund balances</b>	<b>61,595</b>	<b>208,919</b>	<b>8,138</b>	<b>100,812</b>	<b>22,714</b>	<b>25,670</b>	<b>197,422</b>	<b>38,751</b>	<b>100,374</b>	<b>53,727</b>
Total liabilities and fund balances	<b>\$62,406</b>	<b>208,919</b>	<b>\$8,138</b>	<b>\$100,825</b>	<b>\$22,714</b>	<b>\$26,855</b>	<b>\$198,641</b>	<b>\$44,351</b>	<b>\$104,374</b>	<b>\$53,727</b>

CAPITAL PROJECTS								
Special Revenue Funds Total	PPWA Sinking Fund	Total Sinking Funds	Capital Outlay Fund	Capital Outlay Reserve Fund	Real Property Acquisition Fund	Library Building Fund	Capital Projects Funds Total	Total Non-major Governmental Funds
\$776,192	855,873	855,873	\$891,043	\$103,821	\$697,083	\$16,758	\$1,708,705	\$3,340,770
3,000	--	--	--	--	--	--	--	3,000
49,341	177,565	177,565	79,905	--	--	--	79,905	306,811
2,417	--	--	--	--	--	--	--	2,417
<u>\$830,950</u>	<u>\$1,033,438</u>	<u>\$1,033,438</u>	<u>\$970,948</u>	<u>\$103,821</u>	<u>\$697,083</u>	<u>\$16,758</u>	<u>1,788,610</u>	<u>\$3,652,998</u>
12,828	--	--	14,138	--	--	--	14,138	26,966
--	61,407	61,407	--	--	--	--	--	61,407
--	--	--	--	--	--	--	--	--
<u>12,828</u>	<u>61,407</u>	<u>61,407</u>	<u>14,138</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,138</u>	<u>88,373</u>
693,992	972,031	972,031	937,321	--	--	16,758	954,079	2,620,102
800	--	--	19,489	--	--	--	19,489	20,289
84,579	--	--	--	103,821	697,083	--	800,904	885,483
38,751	--	--	--	--	--	--	--	38,751
<u>818,122</u>	<u>972,031</u>	<u>972,031</u>	<u>956,810</u>	<u>103,821</u>	<u>697,083</u>	<u>16,758</u>	<u>1,774,472</u>	<u>3,564,625</u>
<u>\$830,950</u>	<u>\$1,033,438</u>	<u>\$1,033,438</u>	<u>\$970,948</u>	<u>\$103,821</u>	<u>\$697,083</u>	<u>\$16,758</u>	<u>\$1,788,610</u>	<u>\$3,652,998</u>

**CITY OF PRYOR CREEK, OKLAHOMA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

**SPECIAL REVENUE FUNDS**

	E-911 Cash Fund	County- Wide Fire Dept. Funds	Cemetery Care Interest Fund	Cemetery Care Fund	Seizures Fund	Library Cash Fund	Donations/ Earmarked Monies Fund	Public Works Authority	Hotel & Motel Tax Fund	Fee-In Lieu Fund
<b>REVENUES</b>										
Sale of assets	-- \$	-- \$	-- \$	-- \$	-- \$	-- \$	-- \$	-- \$	-- \$	--
Sales tax	--	155,558	--	--	--	--	--	--	--	--
Other taxes	39,269	--	--	--	--	--	--	--	66,517	--
Grants/contributions	50,000	--	--	--	--	24,602	15,529	--	--	--
Interest	284	--	513	--	117	226	967	167	229	276
Franchise taxes	--	--	--	--	--	--	--	29,291	--	--
Fees and service	--	--	--	15,740	--	--	29,762	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	--
<b>Total revenues</b>	<b>89,553</b>	<b>155,558</b>	<b>513</b>	<b>15,740</b>	<b>117</b>	<b>24,828</b>	<b>46,258</b>	<b>29,458</b>	<b>66,746</b>	<b>276</b>
<b>EXPENDITURES</b>										
Current										
Library	--	--	--	--	--	19,945	2,758	--	--	--
Recreation	--	--	--	--	--	--	61	--	--	--
Police	29,129	--	--	--	--	--	3,631	--	--	--
Tourism	--	--	--	--	--	--	--	--	38,192	--
General Gov't	--	--	--	--	--	--	--	17,429	--	--
Fire	--	18,018	--	--	--	--	9,234	--	--	--
Cemetery	--	--	--	1,830	--	--	--	--	--	--
Debt service										
Principal	--	--	--	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--	--	--	--
Capital outlay	114,350	35,072	--	--	--	7,516	12,102	--	--	--
<b>Total expenditures</b>	<b>143,479</b>	<b>53,090</b>	<b>--</b>	<b>1,830</b>	<b>--</b>	<b>27,461</b>	<b>27,786</b>	<b>17,429</b>	<b>38,192</b>	<b>--</b>
Excess (deficiency) of revenues over expenditures	(53,926)	102,468	513	13,910	117	(2,633)	18,472	12,029	28,554	276
<b>OTHER FINANCING SOURCES/USES</b>										
Transfers in	--	--	--	--	--	--	--	--	--	--
Transfers out	--	--	--	--	--	--	--	--	--	--
<b>Total other financing sources and uses</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net change in Fund balance</b>	<b>(53,926)</b>	<b>102,468</b>	<b>513</b>	<b>13,910</b>	<b>117</b>	<b>(2,633)</b>	<b>18,472</b>	<b>12,029</b>	<b>28,554</b>	<b>276</b>
<b>Fund balance, Beginning</b>	<b>115,521</b>	<b>106,451</b>	<b>7,625</b>	<b>86,902</b>	<b>22,597</b>	<b>28,303</b>	<b>178,950</b>	<b>26,722</b>	<b>71,820</b>	<b>53,451</b>
<b>Fund balance, Ending</b>	<b>\$61,595</b>	<b>\$208,919</b>	<b>\$8,138</b>	<b>\$100,812</b>	<b>\$22,714</b>	<b>\$25,670</b>	<b>\$197,422</b>	<b>\$38,751</b>	<b>\$100,374</b>	<b>\$53,727</b>



CAPITAL PROJECTS								
Special Revenue Funds Total	PPWA Sinking Fund	Total Sinking Fund	Capital Outlay Fund	Capital Outlay Reserve Fund	Real Property Acquisition Fund	Library Building Fund	Capital Projects Funds Total	Total Non-major Governmental Funds
\$ --	\$ --	\$ --	\$ --	\$ --	\$63,410	\$ --	\$63,410	\$63,410
155,558	994,563	994,563	447,553	--	--	--	447,553	\$1,597,674
105,786	--	--	--	--	--	--	--	105,786
90,131	--	--	--	--	223,977	110	224,087	314,218
2,779	2,059	2,059	4,435	481	2,343	86	7,345	12,183
29,291	--	--	--	--	--	--	--	29,291
45,502	--	--	--	8,236	--	--	8,236	53,738
--	--	--	1,289	3,435	--	--	4,724	4,724
<u>429,047</u>	<u>996,622</u>	<u>996,622</u>	<u>453,277</u>	<u>12,152</u>	<u>289,730</u>	<u>196</u>	<u>755,355</u>	<u>2,181,024</u>
22,703	--	--	--	--	--	--	--	22,703
61	--	--	--	--	--	--	--	61
32,760	--	--	--	--	--	--	--	32,760
38,192	--	--	--	--	--	--	--	38,192
17,429	1,500	1,500	--	--	--	--	--	18,929
27,252	--	--	--	--	--	--	--	27,252
1,830	--	--	--	--	--	--	--	1,830
--	--	--	--	--	--	--	--	--
--	455,000	455,000	--	--	--	--	--	455,000
--	184,789	184,789	--	--	--	--	--	184,789
169,040	--	--	292,515	--	112,637	--	405,152	574,192
<u>309,267</u>	<u>641,289</u>	<u>641,289</u>	<u>292,515</u>	<u>--</u>	<u>112,637</u>	<u>--</u>	<u>405,152</u>	<u>1,355,708</u>
119,780	355,333	355,333	160,762	12,152	177,093	196	350,203	825,316
--	--	--	\$19,500	--	152,212	--	\$171,712	171,712
--	--	--	(4,994)	--	--	--	(4,994)	(4,994)
--	--	--	14,506	--	152,212	--	166,718	166,718
119,780	355,333	355,333	175,268	12,152	329,305	196	516,921	992,034
698,342	616,698	616,698	781,542	91,669	367,778	16,562	1,257,551	2,572,591
<u>\$818,122</u>	<u>\$972,031</u>	<u>\$972,031</u>	<u>\$956,810</u>	<u>\$103,821</u>	<u>\$697,083</u>	<u>\$16,758</u>	<u>\$1,774,472</u>	<u>\$3,564,625</u>

Unaudited

# WINGARD, RAGSDALE & LANGLEY

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and councilors  
City of Pryor Creek, State of Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pryor Creek, State of Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Pryor Creek, State of Oklahoma's basic financial statements and have issued our report thereon dated December 20, 2013.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered City of Pryor Creek, State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Pryor Creek, State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Pryor Creek, State of Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detect and corrected on a timely basis. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Pryor Creek's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances, other than those described above, of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## CITY OF PRYOR CREEK, STATE OF OKLAHOMA'S RESPONSE TO FINDINGS

City of Pryor Creek, State of Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Pryor Creek, State of Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## PURPOSE OF THIS REPORT

The purpose report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**WINGARD, RAGSDALE & LANGLEY**

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

December 20, 2013

# WINGARD, RAGSDALE & LANGLEY

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## SCHEDULE OF FINDINGS AND RESPONSES

### 2013-1 Previous Audit Findings

**Criteria or specific requirement:** Municipal entities are subject to reporting requirements pertaining to the entities internal control over financial reporting and on compliance and other matters as required by Governmental Audit Standards (the Yellowbook). Internal control related findings are reported on and included in the fiscal audit of a municipalities annual audit report. Reported internal control findings are required to include the response of management regarding the finding, and subsequent updates on those findings, until resolved, in subsequently issued audited financial statements.

**Condition:** Previous audit findings are not being addressed. No policies exist to address previous audit findings.

**Context:** The previously reported findings regarding internal controls related to fixed assets, grant and donation activity, and the monitoring of subsidiary and separate accounting systems, were communicated during year ended June 30, 2010 audit; however, no steps have been taken to address these findings.

**Effect:** Without effective internal controls and the continuous monitoring and evaluation of such internal controls, City resources will be misstated and financial reporting errors have been, and will be material. Presenting materially incorrect financial information can result in the lost of loan status, grant awards, and many other negative effects for the City.

**Cause:** Specifically, management and those charged with governance are not addressing reported internal control findings. Such findings, are not being evaluated with the City's consulting accounting professional responsible for compiling the City's annual financial statements presented for audit.

**Recommendation:** Management and those charged with governance must take the necessary steps to implement, monitor, and evaluate the results of policies and procedures necessary to address and resolve previously reported internal control findings.

**Management Response:** The City will implement policies and procedures to govern these activities.

## **2013-2 Timely Financial Reporting**

**Criteria or specific requirement:** Effective internal controls over financial reporting include effective and efficient closing procedures and timely production of financial information. The City is required by Oklahoma Statutes and other reporting requirements to submit audited financial information by specified dates, subsequent to the City's fiscal year end.

**Condition:** Currently, City financial statements are being prepared and presented to managers and those charged with governance months later than should be necessary to compile the information. The City has historically has not met reporting deadlines.

**Context:** Managers and those charged with governance do not properly monitor reporting requirements and outside professional services pertaining to financial reporting. Proper oversight includes monitoring controls that do not exist.

**Effect:** Failure to submit the City's financial statements in accordance with required reporting dates can result in the negative consequences related to the City's ability to obtain loans, grants, significant contributions, and will result in certain City tax revenues to be held by the State of Oklahoma.

**Cause:** Efficient and effective policies and procedures pertaining to the City's fiscal accounting close processes are not present. Additionally, no policies and procedures exist pertaining to the oversight and monitoring of the outside accounting professional responsible for preparation of the City's financial statements presented for audit. Without oversight and monitoring, reporting delays, among other reporting requirements, will not be met.

**Recommendation:** To improve the financial reporting process, the City should establish policies for proper accounting and financial reporting procedures. Such policies, should include the accounting close process, responsible individuals, and monitoring methods to ensure such policies are being implemented and the City's reporting goals are being met.

**Management Response:** The ordinance committee will review the possibility of an ordinance governing the due dates and of such reports and ensure daily deposits are being made by each department.

### 2013-3 Municipal Charter Requirements

***Criteria or specific requirement:*** Primary governments are responsible for the management and oversight of each of the entities departmental units as either determined by the entities original founding Charter, or as determined by, and enacted as, local ordinance by those charged with governance. Those charged with governance must act within the prescribed guidelines and powers as designated to them within the entities Charter. Overtime, such founding doctrine or "Charter", must be evaluated by those charged with governance for the changes in the entities operating environment.

***Condition:*** The City has a unique operating relationship with its utility department, whereas, the utility department is designed specific powers by the City's charter. The City's charter was created in 1951, and has not been changed or altered with respect to the entities operating environment.

***Context:*** The operating relationship by and between the City's utility department and the City's primary government does not allow for efficient methods of operation, whereas the City's Charter governing their relationship, is outdated and has not been evaluated for its relevance to the City's current operating environment. The City's operating environment has changed over time and the terms prescribed by the City's Charter can be easily misinterpreted, misunderstood, and results in too many unanswered questions and debate.

***Effect:*** The City's primary government and utility department do not operate in conjunction with each other, rather operate according to terms that often do not have merit or definitive ruling. The City and the utility department have a history of conflict and negotiation that has resulted in certain operating actions and methods that are either not prescribed in the Charter governing their relationship or are based on interpretation by individuals other than those affected by the inefficiency, those individuals being the citizens of the City.

***Cause:*** The Charter governing the relationship between the City's primary government and the utility department is outdated and needs to be evaluated based on the City's current operating environment. The City's primary government and utility department should be separate and identifiable both in power and in form, and any operating relationship between them be definitive.

***Recommendation:*** Those charged with governing the City's primary government should determine what steps should be taken to have the City's Charter evaluated and updated as is deemed necessary to fulfill the City's purposes.

***Management Response:*** The council will determine what appropriate actions to take with the guidance of the City Attorney.



## 2013-4 Document Significant Accounting Processes

**Criteria or specific requirement:** Municipal entities are subject to reporting requirements pertaining to the entities internal control over financial reporting and on compliance and other matters as required by Governmental Audit Standards (the Yellowbook). A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

**Condition:** Management has not developed and communicated a formal policy and procedures manual that identifies and documents the significant accounting processes.

**Context:** It was noted during the current year audit that "off-line" invoicing was being performed by departments without being recognized in the accounting system and without proper checks and balances. It was also noted during the audit there were significant lag times in the processing and recording of transactions.

**Effect:** Without effective internal controls and the continuous *timely* monitoring and evaluation of such internal controls, City resources cannot be effectively reported. Without effective internal controls and continuous *timely* monitoring and evaluation of these internal controls, City resources will be misstated and financial reporting errors have been, and will be material.

**Cause:** Management has not developed and communicated a formal policy and procedures manual that identifies and documents the significant accounting processes.

**Recommendation:** Management and those charged with governance must take the necessary steps to implement, monitor, and evaluate a formal policy and procedures manual that identifies and documents the significant accounting processes. Accounting processes, in particular, are procedures to initiate authorize, record, process, and report transactions. Documenting a process involves identifying and gaining an understanding of the events or transactions that trigger performance of the process, the automated or manual procedures used in performing the process, the person(s) or positions(s) responsible for performing the procedures, the source documents used or generated, the procedures for approval and review and correction of any errors detected, and the financial entries or reports summarizing the result of the process.

**Management Response:** The City will implement policies and procedures to govern these activities. The City's outside accounting consultant will oversee

**As reported in fiscal 2010:**

**2010-1 Monitoring Fixed Asset Records**

***Criteria or specific requirement:*** Fixed assets should be monitored periodically to ensure proper reporting.

***Condition:*** Inventory monitoring controls over fixed assets are not scheduled or performed.

***Context:*** Inquiries of management revealed certain inventory procedures were performed by departmental heads responsible for the custody of certain fixed assets in response to a deficiency reported in the previous year. Further inquiry however, revealed no fixed asset inventory monitoring procedures are performed by those responsible for reporting these amounts. Key control activities to monitor custody of reported fixed assets are not present.

***Effect:*** Without monitoring controls, fixed asset records could be misstated or stolen.

***Cause:*** Periodic fixed asset inventory monitoring procedures are not scheduled or enforced by the department responsible for reporting these amounts.

***Recommendation:*** Implementation of procedures for monitoring fixed asset inventories should be implemented on a rotational basis, such that amounts reported are monitored with respect to their inherent risk of materially misstating the financial statements.

***Corrective Action Update:***

Current year audit testing revealed steps had not yet been taken to address this finding, thus, this is a repeat finding.

***Management Response:*** The City will take the appropriate steps to implement policies and procedures to govern these activities.



**As reported in fiscal 2010:**

**2010-3: Monitoring Separate Accounting System**

***Criteria or specific requirement:*** Financial activities maintained in accounting systems separate from the accounting system used for financial reporting should be periodically monitored and reconciled.

***Condition:*** Included the City's financial statements are enterprise funds which report the activities of the City's Recreational Fitness Center and Golf Course. The revenues for these activities are accounted for by billing systems separate from the accounting system used for the City's financial reporting; however no monitoring controls are in place to ensure correctness of the reported information.

***Context:*** In response to a prior year control deficiency, the City has implemented procedures to reconcile between the accounting systems discussed previously; however the procedures do not include a periodic monitoring feature.

***Effect:*** Improper or fraudulent activities could occur.

***Cause:*** The controls over financial reporting for separate accounting systems are deficient in design.

***Recommendation:*** Periodically, the department responsible for reporting the activities discussed previously, should include a monitoring procedure, such that source documentation and other evidence is obtained to ensure proper and complete reporting of these amounts.

***Corrective Action Update:***

Current year audit testing revealed steps had not yet been taken to address this finding, thus, this is a repeat finding.

***Management Response:*** The City will take the appropriate steps to implement policies and procedures to govern these activities.

**As reported in fiscal 2010:**

**2010-4: Recognition of Grant Activities and Capital Contributions**

***Criteria or specific requirement:*** Government accounting standards require recognition of capital contributions. This requirement is applicable to capital contributed through grants or other means.

***Condition:*** The City receives various forms of grant awards and other contributed capital, however, the information and communication controls surrounding the administration of these activities are not properly capturing certain financial information.

***Context:*** The City received approximately \$1,225,000 of capital in the form of grants or other means which were not captured or recorded in the financial statements.

***Effect:*** The City's assets and revenues were materially understated.

***Cause:*** The procedures for capturing grant and contributions activities are deficient in design.

***Recommendation:*** Someone charged with governance or directed by them should monitor the Board decisions made regarding grant and contribution activities. The implementation of necessary reporting features should be included and required before acceptance of these type items.

***Corrective Action Update:***

Current year audit testing revealed steps had not yet been taken to address this finding, thus, this is a repeat finding.

***Management Response:*** The City will take the appropriate steps to implement policies and procedures to govern these activities.